THE ROLE OF THE LIMITED DIVIDEND/ ENTREPRENEURIAL PROGRAM IN CANADIAN SOCIAL HOUSING POLICY

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The research for this paper began three years ago as a simple search for answers into problems in one building in Scarborough, Ontario, and it took me across Canada, from Vancouver to St. John's. I have seen 125 limited dividend projects and interviewed more than 150 people from all walks of life. This would not have been possible without assistance from numerous and often unexpected sources. I am deeply indebted to institutions, organizations and individuals.

My sincerest thanks are extended to my instructors and the Faculty of Environmental Studies for providing the latitude and support required to pose problems and to seek solutions.

Most encouraging in establishing directions for this research was the assistance of the Hon. Susan Fish, MPP, Ontario, who helped to clarify a number of issues concerning this policy. The Office of the Minister Responsible for Canada Mortgage and Housing Corporation (CMHC) has been of invaluable assistance, and a CMHC scholarship made visits to communities across the country possible. Many CMHC staff members and a great number of tenants generously offered their time and hospitality. To Alderman Marilyn Mushinski, Scarborough, I am indebted for her ongoing interest, concern and encouragement.

Finally, I wish to express my deep gratitude to Charles Kattides who works tirelessly for his fellow tenants, and who fears that no one hears and no one cares. It was he who never let me forget that this paper is about low income people and how they live.

Doris M. Schwar

TABLE OF CONTENTS

Appendices:

LIST OF TABLES

If wealthy, industrialized countries want to give their citizens decent homes, they can. If they do not, the will is absent and the first need is not new building codes or new industrialized construction systems or yet another redistribution of responsibility or that ever rotating, ever passing, high speed buck. It is a political conversion, a change of heart.

Barbara Ward, The Home of Man

The shortage of housing is no new problem in the Dominion of Canada. A place to live is a primary need in a cold climate. For many years the progress of a community and the success of its individual members has been judged by the capacity and equality of its housing...

Senator Roebuck, Debates of the Senate, Nov. 20, 1945

PREFACE

This paper was prompted by a study of rental costs and maintenance conditions in privately owned apartments in Scarborough, Ontario in 1983. One type of building almost invariably suffered from more evident neglect, more arbitrary management practices, more anger and frustration on the part of the residents, than any other: limited dividend buildings.

Subsequent research into one building, 2700 Lawrence Avenue East, Scarborough, for Marilyn Mushinski, the local alderman, revealed an array of difficulties which appeared intractable. The overlapping of juris-dictions was compounded by a general lack of information that made intervention into these problems difficult, if not impossible. It was the unclear delineation of areas of responsibility and the resultant inaction that had prompted the local alderman to seek documentation of the problems in her ward.

Among the most serious tenant concerns were high annual rent increases, passed by the Ontario Rent Review Board on the basis of major capital expenditures. The tenants suspected that some of these costs had been inflated, since no itemized receipts were issued for the work. In addition, the owner, Carbon Jubilee Investments Limited, had taken out a $200,000 loan from Platinum Jubilee Ventures Limited. The Residential Tenancies Commission rejected as unjustified the tenants' contention that there was a

connection between the owner of the building and the lender. (Residential Tenancies Commission:July 6, 1984) 1

An appeal to the Minister Responsible for Canada Mortgage and Housing Corporation (CMHC) for intervention and for the mandatory tendering of major capital expenditures was rejected.2 The Minister's office stressed that the Corporation does not own Limited Dividend buildings. (Lasnier:Oct.7,1985).

The CMHC Agreements Administration Officer in Toronto stated at a meeting of the Building, Fire and Legislation Committee, Scarborough, that CMHC could not intervene, but that the internal review had found the building to be operating at a deficit, that these accounts could not be reviewed by tenants or their agents, and that tenants' complaints might result in the sale of the building (Scarborough:March 18,1985).

Various provincial ministries failed to respond to a request for assistance in rectifying problems within their respective jurisdictions, but at the local level, Scarborough City Council

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1. Another limited dividend building with similar problems, 70 Stevendale Drive, Scarborough, is owned by Sodium Jubilee Investments Limited. Both buildings are managed by the property management firm of E.H. Reitter Enterprises Inc. of Toronto. While these similarities in names suggest a connection between all three companies, that connection does not appear to exist in legal interpretation.

2. Maintenance costs appeared to be a primary source of the large rent increases awarded by rent review boards to owners of Limited Dividend projects.

unanimously passed property standards legislation to correct maintenance-related difficulties, and to raise maximum fines for non-compliance from $2,000 to $50,000. The necessary enabling legislation was disallowed by the Provincial Government (Scarborough: Feb.18, 1985).

This is not an isolated case. The situation has a long-standing history. In 1970, the Housing and Welfare Committee of the Social Planning Council of Metropolitan Toronto investigated problems related to limited dividend housing.3 Five years later the Federation of Limited Dividend Tenants met with the Hon. Mr Barney Danson, Minister of Housing, to discuss their grievances.4 In 1982, several community organizations in the Toronto area formed the Limited Dividend Housing Committee to study the program and program-related difficulties.5 The committee's Brief to Canada Mortgage and Housing (1984) and Chapter 6 of Dennis and Fish's Programs in Search of a Policy (1972) are the major published sources of information on this program. The CMHC

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3. The report is now out of print, and copies are longer available.

4. Tenants' grievances included high rent increases, lack of maintenance inspections and harassment by landlords. (Globe and Mail. July 14, 1975, p.1; Toronto Star. July 14, 1975, p.1)

5. Member agencies of the Limited Dividend Housing Committee were the Children's Aid Society of Metropolitan Toronto, Federation of Metro Tenants, Flemingdon Community Legal Services, Metro Tenants Legal Services, Social Planning Council of Peel, Scarborough Community Legal Services and Tenant Hotline.

Library in Ottawa holds primarily historical items related to pre-1945 limited dividend housing legislation.

Research into limited dividend housing presented major obstacles, in that information was classified, out-dated, or inconsistent. Among the difficulties encountered was CMHC's method of recording inventories. CMHC's statistical focus has been on the number of units approved and funded. Another set of figures released annually measured housing starts. As will be shown, these figures do not correspond to the number of units built. Approval figures, for example, probably overstate the actual number of units built by at least 10%. Defaults, which accounted for one in five units completed, are not reported, and precise data regarding the number of units converted to market rental is not available. 6

Much of the information presented below is based on previously unpublished sources obtained through the Access to Information Act, a survey of tenants in limited dividend projects across Canada, and interviews with tenants, developers, and public officials from all levels of government.

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6. The problem of measurement of housing inventory is not confined to Canada. Similar discrepancies in U.S. data are discussed in detail by Frank S. Kristoff's article, "Components of change in the nation's housing inventory in relation to the 1960 census", in Urban Housing, Wheaton, William L.C., Grace Milgram, and Margy Ellen Meyerson, eds. 1966. Collier McMillan Ltd., London.

CHAPTER 1

CANADIAN SOCIAL HOUSING POLICY

One of the major challenges any society must face is the provision of adequate housing for its citizens. Housing poses a challenge, because land acquisition and construction costs constitute a large proportion of a country's national expenditures, and because shelter is necessary for survival. How a society chooses to meet that need depends on its resources, its values, and its political will. The problem of shelter is most acute for low income groups, because the cost of housing is not only a major factor in the national economy, it also consumes an often disproportionately large percentage of the personal income of the poor.7 Housing, according to Galbraith (1977:319), is one example of market failure. He argues that "capitalism has never anywhere provided good houses at moderate cost". 8 Most Western industrialized societies and Japan recognize this problem, and they have developed intricate systems of securing and allocating housing supply.9

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7. Lewinburg (1973:11) reports that during the early 1970s, Canadian welfare families spent an average of 47% of their income on housing.

8. The other examples Galbraith discusses in his chapter on market failure are transportation and education (Galbraith: 1977:319).

9. The measures employed may include deep subsidization through public ownership, direct subsidies directed to individual tenants, shallow subsidies and incentives to private industry, such as grants, tax shelters, depreciation allowances and preferential financing. In addition to public and private sector ownership, third sector housing movements have established building and loan societies, as well as co-operatives.

The majority of European countries had introduced a variety of such the measures by the end of World War I, but until 1948 Canada's sole policy designed to meet low income housing need was the extension of interest rate subsidies to private and municipal limited dividend corporations under a program developed specifically for the post-war period in 1919. 10 Canada again adopted this policy in 1938, after early experiments had proven unsuccessful, and after most other countries had abandoned it. It was reenacted in 1944, expanded in the mid-1950s, cut back in the mid-1960s, weakened and reintroduced in 1969, and only after mounting evidence of abuses and a one-in-five default rate, it was discontinued in 1975. Nevertheless, a recent Ontario task force has recommended a housing initiative modelled on the Limited Dividend Program (Ontario:1986:161).11

For many of the more than 60,000 families living in units created under this program, various legislative amendments and administrative modifications have failed to provide satisfactory housing or security of tenure.12 As a result of changes

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10. Isolated experiments in municipal limited dividend housing and workers' co-operative housing projects were developed in various provinces during this period, but until 1938 federal involvement was restricted to slum clearance and rehabilitation programs.

11. Although the Bairstow Report expresses reservations about the limited dividend model, it holds out the introduction of such a program as one possible option for the creation of affordable housing units for singles. (Ontario:1986:161)

12. Of the almost 100,000 Limited Dividend/Entrepreneurial housing units built in Canada, only about 60,000 are in the present Social Housing Portfolio of CMHC (CMHC:1986:4:04).

introduced into the program over the past 18 years a large percentage of the present inventory may be redeveloped or converted to market housing within a decade.

1.1 DEFINITION

The limited dividend program was a means-tested low rental housing scheme in which private individuals were subsidized by government to build and lease rental units to low income earners. Although the initial intent was charitable, good will alone was not enough to stimulate developer participation, and subsidization was extended in the form tax reductions and long-term preferential interest rates. Developers were required to furnish little or no private investment, on condition that rents be kept below market rates, and that dividends on real or assumed capital invested be limited.

The rental income compares unfavourably with other types of rental investment, a disadvantage that is offset by highly favourable financing conditions. Nevertheless, owners have sought to maximize their income through a variety of cost savings. Consequently, the results of the program appear to have been generally unsatisfactory from its earliest introduction in 1896. Early housing projects were poorly constructed and located on marginal sites. Many projects were inadequately maintained, while others were too expensive for most low income earners. In response, the legislation and the regulations governing the

limited dividend housing have been amended extensively over the years, in order to make it more attractive to developers.

The implementation of the concept of limited dividend housing in Canada may be divided into three phases. Each of these phases denotes changes which altered its initial charitable intent by enhancing the appeal to the profit motive of private entrepreneurs through a variety of incentives. Between 1896 and 1975, a total of 110,553 units were planned or approved in Canada under the Philanthropic/Limited Dividend/ Entrepreneurial program (see table 1). In Canada, as in other countries where it has been implemented, this type of housing is considered to be a social housing program, regardless of the form and depth of public assistance extended to it.

The first phase was quasi-philanthropic and relatively minor in terms of output, but it was not inconsequential, in that it served as a conceptual model for subsequent low income housing policies. World War II marks the beginning of the second phase of limited dividend housing in Canada. During this period, promotional materials sought the participation of community minded developers who would require only relatively modest incentives in the form of preferential interest rates and charitable tax exemptions. The final phase of the program began with the removal of the limited dividend provision, although many terms of the second phase mortgage contract with CMHC remained

intact. The differences between the pre- and post-1968 phases of the program are substantive, and they arise primarily from regulatory changes made in 1968. These differentiate the ongoing and future operation and management of Limited Dividend/ Entrepreneurial projects significantly.

TABLE 1

PHILANTHROPIC/
LIMITED DIVIDEND/ENTREPRENEURIAL HOUSING 1896-1975
UNITS BY DATE OF APPROVAL

YEAR*	UNITS	YEAR*	UNITS
1896	40	1959	4,518
1913	330	1960	1,591
1919	6,242	1961	3,326
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1946	3,449	1963	2,094
1947	75	1964	1,717
1948	116	1965	70
1949	144	1966	-
1950	94	1967	-
1951	174	1968	1,956
1952	841	1969	7,364
1953	1,295	1970	19,609
1954	2,291	1971	11,507
1955	1,423	1972	8,797
1956	1,620	1973	4,526
1957	4,124	1974	2,544
1958	6,282	1975	10,895
TOTAL 1896-1975			110,553

*1946-1975: CMHC (1986) Unpublished data. Program Evaluation Division, National Office, Ottawa.

The terms and conditions attached to the mortgage lending provisions of this program were first set out by the Ontario government in 1913, and they have been amended extensively since then. After the first federal implementation in 1919, limited dividend housing has been incorporated in Sections 9 (1938), 16 (1944) and 15 (1964) of the National Housing Act (NHA). The essential condition of limiting the return on the paid-up capital to 5 or 6% remained in effect until 1968. In 1964, the Limited Dividend Program was subdivided into entrepreneurial (Section 15) and non-profit housing (Section 15.1). At times, funding under this section was also used to finance major repairs to existing rental units, and there were efforts on the part of the co-operative movement to obtain financing (Jordan:1972). This paper, however, addresses itself primarily to the private, entrepreneurial aspect of the program.

Prior to 1968, the government lent mortgage funds to private investors at interest rates substantially below market rates at a fixed term ranging between 30 and 50 years.13 The proportion of total building costs financed varied from 80 to 95%. The borrower was required to incorporate as a limited dividend company which enjoyed tax-exempt status (CMHC:81-04-29: 1.3.5). Tenant incomes were not to exceed a set maximum which was adjusted from time to time. Later, there were additional

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13. The interest rate was usually about 2% per annum below market rates. Occasionally, it was also below bond yields, the government's own borrowing costs (CMHC:1986:3).

stipulations regarding rent level checks, and maintenance and reserve fund regulations.

TABLE 2

LIMITED DIVIDEND/ENTREPRENEURIAL LOANS 1946-1975
(in current dollars)

Year	$'000	Year	$'000
1946*	18,323	1961**	25,483
1947	399	1962	8,145
1948	6,836	1963	14,583
1949	1,229	1964	11,335
1950	787	1965	557
1951	953	1966	23
1952	5,612	1967	23
1953	8,707	1968	22,950
1954	16,050	1969	89,474
1955	9,934	1970	243,395
1956	10,554	1971	143,608
1957	30,644	1972	115,621
1958	49,234	1973	69,474
1959	35,470	1974	50,417
1960	11,033	1975	247,646
TOTAL 1946-1975			$1,249,118,000

*1946-1960: David Hulchanski. 1983. The Limited Dividend Program 1938-1974, unpublished draft, Vancouver.
**1961-1975: CMHC (1986) Program Evaluation Division, National Office, Ottawa.

In 1968 the government introduced major legislative and administrative changes that created fundamental differences between pre- and post-1968 versions of the program. While program changes generated more developer interest, and provided relatively inexpensive accommodation for low income earners, they have also exacerbated some of the inherent difficulties of the

program. Consequently, there is a variation between the specific terms of the operating agreements, and between the problems in buildings of pre- and post-1968 dates of construction. Throughout its history, the program has been beset by a variety of problems, ranging from the use of marginal sites, inferior construction methods and materials, to heavy-handed management and poor maintenance (Dennis:1972:10). Many of these problems still persist.

No funds have been committed under Section 15 since 1975 (see table 2), but the termination of the program was also the beginning of some of its most serious implications. Discontinuation of funding has eliminated neither the physical reality of the housing and the tenants, nor the attendant difficulties that led to the discontinuation. The problems that led to the cancellation of the program still prevail. The problems that were introduced into the program in 1968 are only now becoming apparent.

Although almost $1.25 billion (in current dollars) was expended on this program since 1896 (table 2), and CMHC may continue to carry outstanding mortgages, some at interest rates as low as 5% or less, past the year 2010, most analyses of Canadian housing policy make only passing reference to this program. Unlike many other of the government's socially-oriented initiatives, this program has received little public scrutiny

either from proponents or detractors, and therefore the limited dividend housing program is virtually unknown. While most sources date the program from the incorporation of this legislation into the National Housing Act, 1938, this paper seeks to account for the extent and causes of current problems with limited dividend housing. To this end, it traces the development of the concept of limited dividend housing from its philanthropic origins in mid 19th century Europe to an instrument of economic policy, and to present administrative structures. It will be demonstrated that successive legislative and administrative changes have contributed to current problems by increasingly strong appeals to the profit motive, and by a correspondingly diminished concern about the low income provisions of post-1946 programs.

1.2 PURPOSE

The limited dividend program was founded on the assumption that the combination of philanthropy and private enterprise could solve the housing problems of the poor. Although the role of government continued to expand, limited dividend companies are still granted tax exemptions and other benefits that designate them as quasi-charitable corporations. 14

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14. This provision applies only to companies incorporated as limited dividend corporations. Any increase in dividends implies the loss of tax exempt status. As a general rule, projects built after 1968 do not qualify for this provision. Any increase in dividends implies the loss of tax exempt status. As a general rule, projects built after 1968 do not qualify for this provision (CMHC:81-04-29:9.7.1.4/1.3).

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Three factors have been considered in the determination of the parameters of this study: the deterioration of the housing built under this program; the lack of available policy-oriented information to tenants and legal services and the resultant

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ineffectiveness of efforts to improve living conditions in these buildings; and the lack of a government policy to prevent the loss of these units to the low income housing market in the future. The loss of these housing units may occur through:

(a) redevelopment or demolition, where the building has been allowed to deteriorate, and where the land value has appreciated greatly, or

(b) 'buying out' of the operating agreement with CMHC where upgrading and conversion to market rental units appears to be a viable economic option for the owner.

1.3 CANADIAN SOCIAL HOUSING POLICY

The distinguishing feature of Canadian social housing policy is that of profound indifference punctuated by parsimonious and perfunctory attempts to appear to meet low income housing needs. It is an indifference born of a reluctance to face the reality of poverty, the failure of the private market to meet the housing needs of the poor, and the concomitant need for state intervention. To face those realities would inevitably lead to uncomfortable questions about the adequacy of the "safety net" of Canadian social policies, and about the distribution of wealth and power that makes such a safety net necessary.

In comparison with social housing policies in Europe and the United States, Canadian social housing policy has evolved and diversified very slowly (see table 3). In addition, Canadian housing initiatives were commonly introduced with a statement of the economic benefit expected to accrue. Evidently, the stimulant

effects on the economy were as important considerations as the fulfillment of housing needs.

Most European countries had a wide variety of social housing policies in place after World War I, and the United States introduced diverse low rental housing policies in the 1930s. In contrast, limited dividend housing was Canada's only social housing effort until public housing was introduced in 1948 (Canada:1944:66).15 As table 3 indicates, social housing program diversification did not occur until the 1960s, only to decline again in the mid-1970s.

Social housing policy has followed the same developmental pattern as other Canadian social policies. It has, however, lagged behind them. Most social policies have evolved from private charities to a proliferation of government programs and agencies. 16 In contrast, social housing policy has long relied on an element of philanthropy, and this appears to have delayed

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15. An exception was the creation of almost 26,000 temporary housing units for industrial workers built by Wartime Housing Limited, a federal crown corporation (Wade:1986:41). While it was indeed a low-rental program, it should be noted that this housing was intended to be to be dismantled at the end of the war (Canada:1944:35-36).

16. Among the policies that have followed this pattern are health, child welfare, and income security programs, including unemployment insurance, family allowances, and old age and disability pensions.

the emergence of more adequate approaches such as those which characterize other Canadian social policies.17

Prior to the turn of the century, the community bore responsibility for all social welfare. Help was extended only to the destitute and to those considered to be deserving. By 1890, however, some social welfare functions were institutionalized through the activities of voluntary organizations such as the Toronto Children's Aid Society and the Victorian Order of Nurses. It was also during this period, in 1896, that the first limited dividend project was built by a private businessman in Montreal.

Between 1900 and 1920, voluntary organizations expanded and multiplied. Additional Children's Aid societies were founded in several urban centres, and new agencies were formed to meet the needs of families. Among them were the Toronto Housing Company, the Toronto Family Service Agency, and the Canadian Council on Social Development. A provincial mothers' allowance program was introduced in Manitoba in 1916. Over the next 20 years, the federal government became involved in the field of income security. In addition to a federal housing initiative, successive governments passed legislation to assist veterans, the

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17. The overview of Canadian social welfare policy outlined below is based in part on the chronology developed by Armitage (1975:214-220) in Social Welfare in Canada: Ideals and Realities.

Old Age Security Act, unemployment relief programs and the Dominion and National Housing Acts.

Existing policies were institutionalized and expanded after 1940. Among new federal legislation passed during those years were the Unemployment Insurance Act, the National Employment Service, universal Family Allowance, and the establishment of CMHC. In the 1950s and 1960s, further assistance was extended to the elderly, the blind and the disabled. Federal Health Insurance was added in 1956.

By 1970, federal housing programs had also diversified, but the level of government commitment to low income housing was relatively minimal. Armitage (1975:218) concluded that "the only major [social policy] field in which the objectives of the 1940's [sic] had not been legislated was housing, particularly housing for low income persons." Contrary to the expectations of the 1940s, CMHC did not emerge as an innovator in the development of such housing. The bulk of its lending was directed at private and single family housing programs. 18

18. Between 1957 and 1970 CMHC financed almost 20% of new construction (Fallis:1985:170).

TABLE 3

MAJOR STAGES IN THE DEVELOPMENT OF CANADIAN SOCIAL HOUSING POLICY

YEAR	LEGISLATION	PROGRAM	FUNDING
1840	--	poor/workhouses	municipal
1896	--	limited dividend	private
1897	Ontario	shelters	provincial
1913	Ontario Housing Accommodation Act	limited dividend	50% private/ 50% municipal bonds
1914	Quebec	housing loan fund	provincial
1919	War Measures Act	limited dividend	federal
1938	NHA S.9,13	limited dividend	90% fed/10% munic. 80% fed/20% priv.
1944	NHA S.9	Limited Dividend	85% CMHC/15% private
	(16,16A)	Limited Dividend	90%CMHC/ 10%inst/munic
1949	NHA S.40	Public Housing	75% CMHC/ 25% provincial
1954	NHA S.40	Cooperatives	loan guarantees
1960	NHA S.47	Student Housing	
1964	NHA S.43	Public Housing	90% CMHC/provincial 50/50 loss sharing
1969	NHA S.16	LD/Entrepreneurial	95% CMHC/5% private
	NHA S.16A	Non-Profit	munic./com. spons.
1975		LD/Entrepreneurial	discontinued
1975	NHA S.14(1)	Assisted Rental Program (ARP)	90% CMHC/10%munic.OR 100% CMHC (community spons.)
1975	NHA S.44(1)(b)	Rent Supplement	non-profit and co-operative
1978		ARP	discontinued
1978	NHA S.56.1	Non-Profit and Cooperative	
1984	Ontario	Renterprise	

Note: Sources used for the compilation of this table include: Canada. 1985. A National Direction for Housing Solutions; CMHC. 1979. Multi-Family Federal Rental Housing Assistance Programs in Canada and the United States: A Comparative Study; Dennis (1972), Copp (1974), Hurl (1986), and the NHA..

1.4 CANADA'S FIRST SOCIAL HOUSING PROGRAM

Limited dividend housing is Canada's oldest social housing initiative. From its inception as a quasi-philanthropic enterprise, devised to ameliorate the housing needs of artisans and industrial workers, to its present manifestation as a private entrepreneurial housing program for low to modest income earners, limited dividend housing has been beset by recurrent difficulties. Almost every evaluation of this type of housing has concluded that the housing created is either substandard or too expensive for low income earners. Nevertheless, the concept has been amended, adapted and implemented in Canada over a period of almost eighty years.

In the first European and North American initiatives, private businessmen provided low cost housing projects which yielded only a limited rate of return on investment. Although a few were reportedly financially successful, initial projects were generally unsatisfactory, either because they were "grim and gloomy", or because rents were too high to serve the very poor, as had been intended by the founders (Kaufman:1907:39,85). Eighty years later, the same assessment may be made of most limited dividend projects in Canada.

The marginal success of these isolated experiments before the turn of the century prompted governments to extend financial support to encourage private investment in limited dividend

housing. The first Canadian limited dividend housing project, built in 1896, was entirely privately initiated and financed. Since 1913, however, this type of housing has received increasing levels of government support. Initially this support was offered through municipally underwritten bonds, and from 1919 until 1975, federal governments periodically offered private developers high ratio mortgages at preferential interest rates to build low rental units. Between 1969 and 1975, when the program was discontinued, mortgage financing had risen to 95%, and private developers contributed an "assumed" equity of 5% (CMHC:October 1986:33). 19

1.5 TERMINOLOGY

A major difficulty in addressing the evolution of this housing program over the past 100 years is the question of terminology. Tarn (1973) and Hurl (1984) refer to the early experiments with limited dividend housing as "philanthropic", while Kaufman (1907) variously refers to "trusts" and "joint stock companies with limited dividends". Early federal legislation (Canada:1919; National Housing Act, 1938, S.9; and National Housing Act, 1944 and 1954, S.16) uses the term "limited dividend". After 1968, authors refer to "full recovery low rental" (Dennis:1972) or "entrepreneurial" housing

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19. The mortgage loan was based on the appraised value and end costs did not have to be proven. Owners did not need to invest any capital and could make a profit on construction by reducing building costs to less than 95% of the appraisal.

(Fallis:1985). Some (Dennis:1972; Pike:1972) also refer to the program by its legislative designations, Section 15 or 16. CMHC uses a combination of these terms, so that some documents refer to "Section 15 Entrepreneur" projects (Canada:1986-04-4), while others referred to all phases as the "Limited Dividend Program" until 1985, and to "Section 15" after that date (CMHC:Guidelines and Procedures Manual, 1962-1986).

The choice of the term "Limited Dividend" is not strictly accurate when applied to the program after 1968, in that after that date specific dividend restrictions were removed, although control over rent levels tends to depress dividend levels below market yields. 20 It is, nevertheless, the term commonly used by administrators, developers and tenants in referring to this program. Since the concept of limited dividend housing is discussed here in its broadest sense, and since some elements are common to all phases, the term is used wherever possible to provide continuity. The use of the term is not intended to minimize the substantive differences between phases. The terms 'pre'- and 'post-1968' will be used where the difference between the latter two phases is deemed to be important.

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20. Developments built after 1968 under the provisions of Section 15 did not have to be incorporated as limited dividend companies.

1.6 SCOPE

Since the scope of this paper is very broad, a detailed analysis of specific aspects of the program will not be attempted. Program abuses arising from poor site selection and construction controls will be touched upon only briefly. An attempt will be made, however, to highlight those aspects which increased the appeal to entrepreneurs at the expense of the social and philanthropic elements of this type of program, and which have had a profound influence on the program, its successes and its failures.

CHAPTER 2

THE PHILANTHROPIC PHASE 1896-1938

The Canadian government entered the social housing field with great reluctance. Bolstered in part by the provisions of the British North America Act which delegated the responsibility for housing to the provinces, the federal government avoided the adoption of a formal and ongoing presence in housing policy until 1935 (Hulchanski:1986:19). Despite the documentation of serious housing shortages in Montreal (Copp:1974) and subsequent periodic reports of crises between 1911 and 1913, and between 1918 and 1922 (Moscovitch:1980:322), successive governments clung to the belief that sooner or later all Canadians would be able to own homes. Consequently, Canadian housing policies were designed to encourage private home ownership, while social housing policies were slow to develop and largely dependent on the private development industry.

Social housing policies vary widely in terms of ownership, degree of subsidization, financing and clientele. At one end of the social housing spectrum is fully funded public housing (public sector), followed by non-profit projects including co-operatives (third sector), and joint-stock or limited dividend companies (private sector). Although these programs have been amended and refined over the past century, the concepts that shaped them were introduced and implemented in European countries more than a hundred years ago.

Over the past century, Canadian social housing policy has not kept pace with the innovative approaches taken by most European countries. Specific programs evolved and diversified more slowly than similar initiatives in Europe and, to a lesser extent, in the United States. One explanation for this developmental lag of Canadian social housing policy lies in the reliance on private charitable initiatives that has characterized most Canadian social policies. An additional explanation lies in the concept of limited dividend housing itself, because it delayed government intervention, since its very existence offered the appearance of progress in combatting housing shortages without intervention in the private housing market (Daly: 19xx:12). The limited dividend program was introduced and expanded after it had been found to be unsatisfactory and abandoned by most industrialized nations.21

2.1 INTERNATIONAL SOCIAL HOUSING POLICIES

The concept of limited dividend housing originated in Europe. Internationally, as in Canada, early housing problems were a direct result of industrialization and urbanization. These phenomena had a profound impact in Britain and Germany, where most types of social housing policy appear to have originated. In a 1837 report, two British physicians condemned slum housing

21. An exception is West Germany, where limited dividend housing was is a major part of the post-war non-profit housing effort. One of the major difficulties has been a rapid increase in rental costs when the mortgage agreement expires. Funding appears to have been discontinued.

conditions. Overcrowding, they found, was compounded by poor sanitation, and these conditions led to disease and high mortality rates (Kaufman:1907:9). These and subsequent findings led to parliamentary inquiries, to a variety of acts to promote sanitary and housing standards, and to movements dedicated to improved living conditions for the poor.

The severity of these conditions was exacerbated by the depression of 1868, and they resulted in a variety of urban reform movements. Most notable were the Rochdale Co-operatives and the proposals of Robert Owen. In addition, there were philanthropic housing developments such as the Peabody Donation Fund, established in London in 1862, the Artisans' Dwelling Company, 1867, the East End Dwelling Company, 1884, and similar trusts which yielded dividends limited to 4 or 5%. Many of these companies did not yield sufficient surplus to pay the full dividend, and several eventually failed. 22

By the 1880s, urban reformer Octavia Hill bought, renovated, rented and managed housing properties for the benefit of the "deserving poor". These, too, yielded dividends of 5%. Although some projects like the Peabody Trust were financially successful, Kaufman observes that:

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22. G. Daly (1983:12) notes that earliest dwelling companies were genuinely philanthropic, and that they aimed to educate workers to "understand and appreciate good housing".

> The original intentions of the founder have not been realized, ...[the units] are of no use to the persons intended to benefit, for the rent charged is more than they can afford to pay. (Kaufman:1907:85)

Municipal or "council" housing originated in 1885, when the British government passed the Working Classes Act which conferred upon local authorities the responsibility for the appointment of sanitation inspectors, land assembly, and powers of expropriation for the erection of working men's dwellings (Kaufman:1907:35).23

By the turn of the century, most industrialized European countries had similarly varied programs for low income housing. In Sweden, the first worker co-operative was established in 1872, and philanthropic projects were initiated in 1875 by the St. Erik Building Share Company. In most instances, philanthropic trusts were founded with some form of municipal aid. By 1927, limited dividend housing had been effectively phased out and replaced by municipal non-profit housing, co-operatives, and building societies (Graham:1940:130).

Similar trends characterize the evolution of social housing policies in other European nations. By the end of World War I, Denmark, Finland, France, Belgium and Germany had largely abandoned philanthropic limited dividend housing programs and developed diversified public and co-operative policies to meet

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23. There was no funding attached to this legislation, and therefore the impact of this early legislation was minimal.

the housing needs of the poor. When Canadian governments were faced with the consequences of urbanization and industrialization, there were a variety of social housing policies in existence internationally. Until 1948, they adopted only the limited dividend model.

2.2 THE PHILANTHROPIC PHASE IN CANADA

Limited dividend housing was Canada's first social housing initiative, and between 1897 and 1923, 6,612 units were constructed. The first Canadian company was established in Montreal in 1897 (Copp:1974; Hurl:1986:29). 24 Because the return on investment was limited to 6%, and because a private developer might be expected to be able achieve a higher return under market conditions, this type of housing program was, and continues to be, considered to be a "charitable" enterprise.25
A similar, municipally underwritten experiment was undertaken by the Toronto Housing Company in 1913, and in 1919 the federal government financed more such projects as part of its post-war employment and reconstruction effort.

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24. Ames planned his "model tenement" on the experiment of Alfred T. White, Brooklyn, N.Y., who had built working class housing on the British concept of "philanthropy plus five per cent." (Copp:1974:22-23)

25. Dividends paid on units built prior to 1968 by limited dividend companies are tax exempt.

2.2.1 PRIVATE CHARITY

From the time of Canada's first census in 1881 (Canada:1921: Table 4) until 1984, Canada's population has quintupled. While it was always implicit that people were expected to take responsibility for their sustenance and shelter, there were, nevertheless, those individuals who were unable to provide even the most elementary necessities for themselves.

TABLE 4

DWELLINGS AND HOUSEHOLDS IN CANADA 1881-1921

YEAR	POPULATION*	NO. OF DWELLINGS*	NO. OF HOUSEHOLDS*	HOUSEHOLDS/ DWELLING*	SHORTAGE/ UNITS
1881	4,268,364	741,365	800,410	1.08	59,045
1891	4,734,272	856,607	900,080	1.05	43,473
1901	5,323,967	1,018,015	1,058,368	1.04	40,353
1911	7,191,624	1,408,689	1,482,980	1.05	74,291
1921	8,775,853	1,764,129	1,897,227	1.08	133,098

*Selected data, Census of Canada, 1921. Ottawa, Table 1,p.3. (Numbers do not include the Native population)

A review of the Province of Ontario's public housing policy, for example, observes that "in nineteenth century Ontario, social housing was essentially a matter of chance" (Ontario:1984:4). In the event of personal misfortune, such as the death or disability of the breadwinner of the family, the community might or might not choose to assist the dependents. The community's response

rested largely on the reputation of the deceased and on the extent to which the individual was held personally responsible for his or her misfortune. If the deceased or disabled had been known to be a respectable, hard-working person, the community might choose to support the surviving family members by accommodating them in a shelter or House of Refuge. If, however, the deceased had been considered to be of questionable character, the family would be sent to the poorhouse.

In 1897, Herbert Ames, a businessman, investigated the living conditions of the poor in Montreal. Ames reported that "nearly one family in four [was] without steady work", and that many lived in unsanitary and overcrowded conditions (Copp: 1974:22). On the basis of his findings and his conviction that "the wealthy had special responsibilities towards their less fortunate brethren", he established Diamond Court, the first limited dividend project in Canada. The concept of Diamond Court was based on the "philanthropy plus five per cent" model tenements built in Brooklyn by Alfred T. White (Copp:1974:21-23). Unlike his precursor, who considered this to be a philanthropic venture, Ames viewed limited dividend housing as "semi-philanthropic" (Ames:1897 in Copp:1974:19).

2.2.2 THE MUNICIPAL/PROVINCIAL ROLE 1912-1919

By 1913, faced with growing public concern over a serious housing shortage (see table 4), the government of Ontario introduced the first public act in Canada designed to alleviate the problem (Hurl: 1984:30-31). Similar legislation was introduced a year later in Quebec (Copp:1974:88). Ontario's act utilized the British experience, which combined a recognition of the housing needs of the working class with a belief in the ability of the private sector to meet those needs. There was, however, an important difference between Ames' Diamond Court and the housing built under this act, in that the legislation enabled municipal governments to underwrite limited dividend housing projects.26

The city of Toronto was the only municipality to take advantage of the provisions of this legislation by agreeing to underwrite up to 85% of the bonds of the Toronto Housing Company (Canada: Nov.20, 1945:297). The company raised additional funds through land sales and purchases, and by 1917 a second phase of the project was completed (Hurl:1984). Although the company had paid no dividends for the first ten years, a dividend of 5 and 6% was declared for the years of 1923 to 1933 (Ontario:1934:76).

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26. Hurl attributes the municipal role to the president of the Toronto Housing Company, G. Frank Beer, who questioned "the so-called law of supply and demand as an automatic remedy..." for the housing problems of low income earners (Hurl:1984:30).

2.2.3 FEDERAL INITIATIVE

In 1918, the federal government appointed the Royal Commission on Industrial Relations under Mr Justice Mathers. Among the reasons cited for the industrial unrest during that period the commissioners listed "insufficient and poor housing", and they recommended that "some means should be adopted, with as little delay as possible, to remedy this defect" (Royal Commission on Industrial Relations:1919:6,13). Faced with worker dissatisfaction and an influx of soldiers returning from Europe after the war, the Federal Government instituted a housing initiative based on Ontario's legislation. In 1919, the Federal Government approved an expenditure of $25 million under the War Measures Act. The funding allocation was directed to the construction of individually owned, or provincially, municipally or privately sponsored limited dividend housing projects to be built in the post-war period.

This financial commitment was the result of a federal-provincial conference which had concluded that there was great need for the creation of "better housing conditions for the industrial populations of our larger centres." Moreover,

> Owing to the practical cessation of building operations ...there is at present a great scarcity of housing in most of our cities and this condition will become intensified with the return of our soldiers..." (Canada:1919:5)

But the provision of housing was not the only concern. The Minister initiated the program, because the issue was one of "national importance", and because "the carrying out of such a policy on a substantial scale by Provincial Governments would afford considerable employment during the period of reconstruction and readjustment of industry following the war..." (Canada: 1919:5) This major national expenditure was, therefore, to be authorized under the War Measures Act. The maximum funds for each province were allocated in proportion to population, and the newly established Housing Committee of the Cabinet attached only four conditions to its loans:

1. A general housing scheme has to be prepared by each province and submitted for the approval of the Federal Government. This general scheme will set out the standards and conditions to be complied with in local housing schemes. Once the general scheme for the province is approved by the Federal Government the jurisdiction in respect of local schemes will rest with the provincial authorities.

2. The maximum amount that may be loaned per dwelling shall not exceed, for different sizes and types of dwellings, inclusive of land, etc., the respective sums of $3,000, $3,500, $4,000 and $4,500.

3. Loans may be granted only, for building houses and purchasing land, to Provincial Governments, Municipalities, Housing Societies with limited dividends and owners of lots for the purpose of erecting houses for their own occupancy.

4. The loans shall be repayable over a period of 20 or, in special cases, 30 years.

The conditions of the loan permitted lending for buildings on lands owned by:

1. The Provincial Government or Municipality.
2. Housing Societies or Companies comprising groups of citizens associated to promote good housing, supplied with proper improvements; such Societies or Companies to have not more than a statutory limitation of dividends payable on stock of 6 per cent.
3. Owners of lots for the purpose of erecting houses for their own occupancy. (Canada:1919:11)

In addition to these conditions, there was an income limitation of $3,000 per annum for either individual owners or tenants to ensure that "the money shall be loaned to those who most need it..." (Canada:1919:11). Between 1919 and 1923, 6,242 houses were built in 179 municipalities. In 1945, Senator Roebuck observed that "the experience was not particularly happy," and he cited Census Monograph No.8 (1941) which concluded that, with only one or two exceptions, "the records showed mismanagement of funds and inefficient administration of the projects by the municipal authorities." Roebuck went on to describe the program as "a dismal failure, and certainly...a serious black eye to all such attempts." (Canada:November 20, 1945:297-98)

The Lieutenant-Governor's Committee Report on Housing Conditions in Toronto (1934) was not quite so harsh in its assessment. It concluded that this program had only touched the fringe of the housing problem, but it called the effort "creditable as far as it went" (Ontario:1934:93). It did not go very far. Too few units were built, and both purchase and rental

costs were high (Schull:1978:230). The poor remained dependent on sporadic relief measures and the generosity of landlords. Housing support for the destitute consisted of rent payments for the first month, and thereafter for every second month. This policy resulted in economic evictions, frequent moves for low income families, and the further deterioration of already run-down properties (Ontario:1934:51).

The Committee judged the experience of the Toronto Housing Company to have been more successful. According to the Committee, "this experiment...may well point the way towards a solution of one part of our present urgent housing problem" (Ontario:1934:76). The other parts of the solution proposed by the Committee were more radical. Based on the experience of other countries, the Committee found that "Canada has lagged behind the rest of the world, both in the sphere of state assisted housing and town planning". Furthermore, "the principle of government assistance of housing development now stands unchallenged", and the Committee recommended the construction of a model housing project built with public financing and rented to the poorest tenants on a graduated or a rent-geared-to-income basis (Ontario:1934:93).

2.2.4 INSTITUTIONALIZATION OF THE FEDERAL ROLE

During the Depression, prompted perhaps by the New Deal legislation of the Roosevelt Administration in the United States, the Federal Government passed both the Economic Council of Canada Act (1935) and the Dominion Housing Act (1935). 27 This period marked a shift in emphasis of housing policies, so that the job creation potential of housing activity superseded the creation of housing units as the main aim of federal housing initiatives.28 The federal government assigned the responsibility for low income housing to local authorities which were to establish "a housing scheme in any locality for the construction of houses, with the assistance of the state, to be leased to low wage earners" (Canada:1935:2). This provision was essentially meaningless, in that act did not specify the type of assistance to be offered by the state, and no funding was allocated for such schemes. Since

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27. The Economic Council of Canada Act was established to act as an advisory body on social and economic concerns. The act was repealed in 1936, and expanded and reenacted in 1963.

28. Unlike the 1919 program, mortgage lending under this policy did not extend to private individuals or "housing societies," and it included the innovative feature of collecting property taxes along with principal and interest payments as part of the amortization schedule. As a result of this new arrangement, none of the houses built under this program had to be repossessed for tax arrears (Canada: Nov.20,1945:298). It is doubtful, however, that any of these houses could have been leased by very low wage earners or the unemployed.

In 1937, a new housing-related act was introduced, but this time the goals were more clearly spelled out. Although it was called "The Home Improvement Loans Guarantee Act, 1937", it is described as "An Act to increase Employment by encouraging the Repair of rural and urban Homes." (Canada:1937:1) The act makes no pretence that it is anything other than an employment program, since no reference is made to housing conditions or housing need.

municipalities were already overburdened by relief payments, no housing units were built.

The Economic Council was given responsibility for prescribing the conditions for the new housing initiative, and it is evident that the Council paid no heed to the experience of other countries, the degree of success of various provincial housing schemes, or the recommendations of the Lieutenant Governor's Committee. The Council's recommendations led to the passage of the National Housing Act, 1938. The preamble outlines the rationale:

> "WHEREAS The Dominion Housing Act, 1935, has encouraged the building of houses by persons of moderate incomes...it is in the national interest that a limited experiment in low-rental housing should be undertaken now, creating needed employment and directing public attention to the importance of housing problems generally, and providing a basis of experience on which the provinces and municipalities may follow sound and proven policies in the future...(Canada:1938:1)

Therefore the Federal Government once more introduced a limited dividend housing program. A limited dividend corporation was defined in this Act as "any corporation which is organized to construct, hold and manage houses built as a low-rental housing project subject to conditions as to limitation of dividends on capital stock." Only low income families were to be eligible to rent these units. Low income was defined as a family income of less than five times (20%) the economic rent of the housing unit. The interest rate set for loans to local housing authorities was set at 1 3/4% per annum payable bi-annually, while loans to

limited dividend corporations were lent at an interest rate of 2% per annum (Canada:1938:6-7). Dividends for a limited dividend corporation were restricted to 5% of paid-up capital (Canada: 1938:10). This was a reduction of one per cent from the 6% return on paid up capital that had been allowed under the 1919 legislation. The program was curtailed by Canada's entry into the war before any such housing was built, and the Depression had passed without the emergence of any significant social housing policies.

CHAPTER 3

THE LIMITED DIVIDEND PHASE 1938-1968

World War II had a catalytic effect on Canadian social policies (Guest:1980). The labour force demands of a war-time economy created an influx of industrial workers to urban areas. To meet their needs, the federal government introduced a variety of improved income support programs, such as Unemployment Insurance, Family Allowances, and temporary housing for industrial workers. Most of these programs were retained and expanded after the war, but the experiences gained by the War Time Housing Company were not utilized to develop a permanent low income housing agency. The government justified its reluctance to institute a social housing program on constitutional grounds, arguing that housing was a provincial responsibility (Wade: 1986:53). Instead of a comprehensive low income housing policy, the government encouraged only a limited dividend program.

Many of the advances in social programs were the result of the recommendations of the Marsh Committee which was commissioned in 1943 to study Canadian social policies. Included was a review of national and international housing policies by the Advisory Committee on Reconstruction IV (Curtis Report). For its assessment of Canadian housing programs the report relied largely on the findings of Census Monograph No.8: Housing in Canada (Canada:1941), which had found that the only laudable Canadian

low income housing experiment had been carried out by a miners' co-operative in Tompkinsville, N.S. with "outstanding success" (Canada:1941:38). The Monograph summarized Canada's low income housing efforts as unsatisfactory and ineffective. Moreover,

> While informed public opinion has come to general agreement that satisfactory low cost housing accommodation cannot be provided by private enterprise, this conclusion has not yet been followed by any concerted action to provide public assistance (Ottawa:1941:12).

These conclusions were echoed by the Curtis Committee in 1944. The Committee warned that prior experience "should serve as a warning in formulating a post-war housing policy" (Canada:1944:127). It noted that previous low rental projects had served the needs of better paid workers, but had achieved no benefit for lower wage groups. The Committee strongly recommended that the government develop a non-profit housing program with graduated rents geared to tenants' incomes in addition to a limited dividend program (Canada:1944:17-20).

Later that year, the federal government amended the National Housing Act, 1944. Its purpose was the "construction of new houses, the repair and modernization of existing houses, the improvement of living and housing conditions, and the creation of post-war employment" (Canada: 1944:1). Contrary to all prior experience and recommendations that preceded this amendment, there was no provision for public or co-operative housing. Instead, this act provided only for one type of social housing: limited dividend corporations. The act set out many of the

fundamental conditions that were to govern such companies for the next three decades. Successive changes introduced in subsequent years served only to strengthen its appeal to private investors and to weaken the degree of control the government over the cost and quality of housing produced under this program.

Although the establishment of a public housing program had been one of the key recommendations of the Advisory Committee on Reconstruction, limited dividend housing again formed the basis of a federal post-war low income housing initiative. It appears to have been favoured over a public housing program, because it combined public financing with private enterprise. 29 The legislation was informed by a belief in the filtering down process. On this assumption, the greater the housing stock created, the higher the vacancy rate, and the more acceptable the accommodation of the poorest. At the end of both World Wars, this belief coincided with a reluctance to face the reality of the poverty, the perception that the provision of housing might be undertaken by publicly spirited citizens as a philanthropic gesture, and the rate of population growth resulting from immigration and family formations of post-war generations. These

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29. John Bacher (1986) ascribes this decision to the faith of civil servants in the efficiency of the private market. While Bacher may be correct in his assessment of the attitudes of individual civil servants, it must be assumed that they owed their influence to a fundamental agreement with prevailing political assumptions. The responsibility for the policy choices made during that period must, therefore, ultimately rest with federal government.

factors created a significant demand for new housing. The program had the acknowledged job creation potential of a stimulated construction industry. Decision makers therefore opted for a policy that appeared to meet low income housing need without direct intervention and deep subsidization.

The administration of the program became one of the responsibilities of the newly incorporated crown corporation, Central Mortgage and Housing Corporation. Only after builder response proved to be completely inadequate to meet low income housing need did the government introduce a public housing program in 1948.

3.1 THE NATIONAL HOUSING ACT 1944

Limited dividend corporations were to provide the foundation of the low rental housing policy of the National Housing Act, 1944. The program was initially financed through an allotment of $100,000 of unappropriated moneys from the Consolidated Revenue Fund (Canada:1944:S.7). The major provisions of the act specified that:

1. (1) The Ministry could make a loan to a limited dividend housing corporation for the construction of new housing or the conversion of existing housing to low rental housing projects;

2. (2) The interest on the loan was set at 3% per annum, and the loan could not exceed 90% of the lending value of the project;

3. (3)(a) Evidence would have to be given of a demonstrated need for low income housing by reason of shortage, overcrowding, congestion or the sub-standard character of existing housing accommodation;

4. (b) The area had to be adequately planned;

5. (c) Zoning regulations were sufficient to safeguard the security of the loan;

6. (d) Adequate municipal services were to be readily available to residents;

7. (e) The project had to be large enough to provide a sufficient number of family units to guarantee economies of scale in construction;

8. (f) The organization and management of the corporation should be able to assure competent and independent administration throughout all stages of the project;

9. (g) Adequate care had to be taken that the design be of an economical and suitable design and sound construction to assure the minimum practicable expenditures for repairs and maintenance during the term of the loan;

10. (h) The terms of the land purchase had to be satisfactory to the Minister;

The contract (Operating Agreement) with a limited-dividend corporation provided that:

11. (4)(a) The ratio between the maximum rentals to be charged and the estimated family income to be such as to maintain the low income character of the project;

12. (c) The corporation must maintain books and records and permit inspection of such books, records and accounts at any time, and make such annual reports as the Minister may require;

13. (d) The corporation should furnish efficient management, maintain the project in a satisfactory state of repair, and permit inspection of the project by representatives of the Ministry; 30

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30. The maintenance and repair provision appears to have been included in the legislation primarily in order to secure property values and thus to assure the security of the loan.

14. (f) Surplus earnings should be set aside for reserves, maintenance, repairs, possible decline in rentals or other contingencies;

15. (g) The project should not be sold without the Minister's approval, or if sold, then the shareholders should receive no more than the return on their investment and the limited dividends; and

16. (h) In the event of the failure to maintain the low rental character of the project or otherwise committing a breach of the contract, the Minister could declare the unpaid principal of the loan payable forthwith, and thus to repossess the project. (Canada:1944:S.9)

These provisions were modified over the next thirty years that the program remained in effect. Some provisions were never implemented. A search of CMHC records by the Access to Information Office, for example, revealed no evidence that any needs studies (#3) were ever undertaken. One of the key provisions, that which limited the return on investment, remained in effect until 1968.

3.2 IMPLEMENTATION

In order to attract developers to the scheme, the federal government offered high ratio (85-90% of total cost) mortgages at fixed, preferred interest rates. The preferred rates were generally about 2% below conventional market rates, and they were frequently below bond yields (and thus below government borrowing costs). These mortgages were amortized over periods of up to 50 years. To make the program more attractive to private developers, projects were to be taxed municipally at only 1% of their property value, and all taxes were forgone, should owners be unable to meet their mortgage obligations (Hulchanski:1983:2). As had been the case with earlier projects, the corporate dividends derived from rental income were tax exempt.

In order to qualify for limited dividend mortgages, developers signed an Operating Agreement (Appendix 1) outlining the conditions of the mortgage loan. The terms stipulate that owners are to maintain the building in satisfactory condition, to permit periodic inspections by CMHC, to submit annual financial statements, to keep rent levels low, and to obtain the approval of CMHC for all rent increases. 31 While the return on investment was limited to 5 or 6%, profits could be increased through depreciation allowances, tax shelters and management fees (Hulchanski:1983:7).

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31. The initial rent-to-income ratio was not to exceed one fifth of the tenants' incomes. (Dennis and Fish:1972:226)

3.3 CENTRAL MORTGAGE AND HOUSING CORPORATION 1945

Because of the high costs involved in land assembly and construction costs, one of the major considerations in the establishment of a housing policy is the determination of financing sources. Moscovitch argues that finance capital holds the key to housing production, since only those undertakings likely to offer a secure and profitable investment will have access to institutional mortgage funds (Moscovitch:1980:326-27). Early social housing initiatives were deemed to be temporary, and funding was assigned on an ad hoc basis, designed to meet specific housing expenditures. It was not until 1945 that federal responsibility for housing policy was confirmed institutionally.32

In 1913, funding for housing programs was initiated and regulated by the province of Ontario, then the only provincial government to introduce a social housing program. In 1919, when the federal government became involved in the housing field, that role shifted to a cabinet committee authorized by the War Measures Act.33 By 1933, federal housing expenditures became

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32. The establishment of CMHC marked a commitment to a federal role in housing policy, but the degree of that commitment remains tenuous. The responsibility for CMHC is variously combined with other cabinet portfolios such a transportation (1969). At the present time, it is the responsibility of the Minister of Labour.

33. The War Measures Act permitted the federal government to assume powers which normally belong to the provinces (Dawson: 1973:92).

the responsibility of the Department of Finance. In 1938, the Bank of Canada Act and, subsequently, the Central Mortgage Bank Act, 1939, were enacted to relieve the Minister of Finance of these duties. Both acts were proclaimed, but neither institution assumed the administration of housing expenditures, because the World War II interrupted the transfer of funds (Canada: November 20,1945:302-04).

In anticipation of a major reconstruction effort, the federal government reassigned financial responsibility for federal housing programs once again. The Official Report of the Debates of the Senate reveals the optimism and the expectations as voiced by the Hon. Senator Roebuck:

> It is an insult to this nation to say that the production of a sufficient supply of houses is beyond our capability. I am speaking of the continuing shortage of houses, which runs from year to year through good times and bad, and which leaves in its debt of [sic] discomfort, disease, degradation and human wreckage. The immediate housing situation from which we are suffering has an additional element-that of crisis...
>
> My own hope is that the measure now taken to meet the emergency will be such as to completely solve the problem when the emergency is over. (Canada:November 20, 1945:296)

The measure that the Senator was advocating was the establishment of Central Mortgage and Housing Corporation. Its mandate would be "...the whole problem of housing in its various relationships and historic aspects..." (Canada:Nov.20,1945:296), and one of the responsibilities of this new entity would be the administration of a limited dividend housing program.

3.4 LIMITED DIVIDEND BUILDING ACTIVITY 1946-1954

The incorporation of Central Mortgage and Housing Corporation marks the beginning of a new approach to Canadian housing policy. As Senator Roebuck had advocated so eloquently, one of the major objectives of the newly created Corporation was the creation of new rental housing units to meet existing needs and to anticipate future housing demand. Despite the skepticism of some of the senators who voiced concern about the effectiveness of the proposed program, the years of 1945 and 1946 brought the first major expenditures on limited dividend housing since 1919 (Canada:Nov.20,1945:298-301).

Only 34 projects were approved between 1946 and 1948, when investment in the program subsided and no new projects were approved. Because of the decline in building activity in the low income rental housing market, the National Housing Act was amended to provide for direct funding of public housing projects, and for provincial land assembly for low income housing projects (Dennis:1972:226; Pike:1972:8).

3.5 PROGRAM PROMOTION

CMHC developed annually updated pamphlets for builders and contractors to interest them in the program. In 1948, the pamphlet carried a testimonial from a tenant and the janitor of a model limited dividend project in Burlington, Ontario. It also featured the corporation's prestigious board of directors. The

terms of the contract indicate that CMHC had financed 90% of the cost with an amortization period of 30 years at a fixed interest rate of 3% per annum (CMHC:1948).

While the private housing market flourished, building activity in the Limited Dividend Program continued at a relatively low level until the mid-1950's. During those years, fewer than twenty projects were approved annually. By April 1953, when loan applications for this program had dropped off, CMHC promoted the program by appealing to "any group of publicly-spirited citizens who wish...to help in meeting a need for low-rental accommodation..." (CMHC:April 1953:2). The lending limit was still 90% of the project, with an extended 50 year amortization period at a fixed interest rate of 3/4% per annum. Rental rates were to be set at a "fair and reasonable" ratio between rents and family income, and the Corporation reserved the right to limit rent increases. The interpretation of "fair and reasonable" raised the rent-to-income ratio from 20 to 25%.

3.6 CONSOLIDATION 1954-1968

Because of this decline, the Federal Government introduced the National Housing Act, 1954. Legislative amendments changed federal involvement in housing finance from direct mortgage loans through CMHC to loan guarantees for private mortgage lenders (Canada: 1954:S.2-23). For the first time, banks were permitted to make mortgage loans (Denison:1967:395). The intent of this

amendment was to encourage private investment in the housing market.

Apart from an increase in the amortization period from thirty to fifty years, the spirit of the 1944 program remained unchanged, but the changes to the Act in 1954 provided new incentives. Among them was a guaranteed return on investment for a period of up to 30 years, provided only that the project was built in accordance with CMHC standards, and that it consisted of at least eight family housing units. Specific regulations were included to define a family housing unit as having not less than 700 square feet and a bathroom. For the first time, the act also defined the term "family of low income" as "a family that receives a total family income that, in the opinion of the Corporation, is insufficient to permit it to rent housing accommodation adequate for its needs in the current market" (Canada:1954:S.2-23). The corporation reserved the right to determine rent levels for the first three years following construction, and it had an option to purchase the project in the event of a sale (Canada:1954:S.14-1).

By 1955, the interest rate was still set at a fixed rate of 3 3/4% for 50 years. In that year, however, promotional material specified that "members of the company must present specific evidence that conditions of shortage, overcrowding or

substandard housing exist in the district before the company can be accorded a loan under this section [16] of the Act." Included among the provisions was also the stipulation that the records and the project itself must be open for inspection by CMHC at all times (CMHC:February,1955). Similar provisions prevailed in 1958, and the pamphlet from that year reflects only the increased interest rate of 4 1/4% (CMHC:August,1958).

As a result of rising market interest rates, builder participation in the program rose steadily. From 1957 to 1959, 150 projects or 14,924 units were built. Dennis and Fish attribute the increased building activity during those years to "government interest in funding the program as part of overall stabilization policy and [to] the lack of other forms of financing" (Dennis:1972:226). Pike further (1972:23) notes that developers used the program to "unload" marginal lands. Nevertheless, many developers appear to have been deterred by the dividend restriction of Section 16. Those who did participate were "not interested in providing and maintaining housing but in quick profits, and in many cases were 'fly-by- night' rather than established business concerns". Such builders made profits by erecting buildings on poor lands, using cheap materials, and then abandoned the projects (Pike:1972:11). This was confirmed by a CMHC memorandum:

> It would seem that **the profit motive cannot be in harmony with housing the lower income group.** Some intend to produce a well-built project with a minimum equity and to keep interim financing in anticipation that private refinancing can be arranged. Others produce a project with a minimum of equity, minimum financing costs, minimum specifications, and minimum operating expenses to realize a quick profit and then hope that the Corporation will take over the property.
>
> CMHC Memorandum, President to Minister, April 5, 1960

Building activity under this phase of the Limited Dividend Program peaked during the early years of the Diefenbaker government in the late 1950s (see tables 1 and 2). Problems increased as building activity rose, and CMHC had mounting concerns about the program. As had been the case with other reviews, a 1959 CMHC memorandum is indicative of these concerns. It points out the great likelihood that builders would seek to make a profit by "mortgaging out", or using the program to gain initial, low interest financing during the construction phase, and then seeking private financing to escape the dividend income restrictions of the operating agreement. The memo warns that this practice might produce output while distorting legislative intent. The concern was echoed in a report of the Administrative Research Group a month later. It attributes almost all (unspecified) problems to those projects which were undertaken by private businessmen (Dennis: 1972:226).

The concerns were further confirmed by a review of limited dividend projects by the Architectural and Planning Division of CMHC in 1960. Dennis and Fish report that "the projects were

found to be substandard, particularly with regard to landscaping plans and play areas... Faced with a lack of funds and an unsatisfactory program, loan requirements were tightened considerably" (Dennis: 1972:226). They cite further CMHC memoranda to demonstrate the problems with the program (emphases added):

> There is no doubt in my mind that the entrepreneurs who are **operating today have profit as their major motive**, although there are 'smoke-screens' blown up, such as providing estates for dependents forty years hence. It is fairly logical that... no wise investor is going to put his money into a 5% limited-dividend proposal unless there are other considerations. I think the major thought is 'mortgaging out'...
>
> CMHC Memorandum, August 20, 1959

> The Fund has not been used for the purpose for which it was originally intended, but rather as a source of mortgage financing of the last resort.. It seems to me that **virtually every anomaly or irritant which** has occurred in the Limited Dividend Operation can be ascribed to those projects operated **by private businessmen.**
>
> CMHC Memorandum, October 9, 1959
> (Dennis:1972:227)

The reviews led to greater restrictions. The building of one bedroom units was no longer permitted, the average bedroom count was set at 2.5, projects were limited to 100 units, and equity requirements were raised to 15% (Dennis:1972:227). The restrictions reduced building activity, and there was a high failure rate for those that were built (Pike:1972:12). High failure rates in turn resulted in program reductions and in further lending restrictions.

These changes resulted in a drastic reduction of builder participation in the Limited Dividend Program by 1965, and they stimulated the production of non-profit housing units. Between 1964 and 1968, there was almost no activity in the entrepreneurial program (see tables 1 and 2), while Section 16A (non-profit corporations) spent $94.1 million to create 5,017 new units and 10,387 hostel beds. The construction of public housing units derived an even greater benefit (Hellyer:1969:6). Whereas only 11,000 public housing units had been built between 1949 to 1963, 96,000 units were produced in the following eight years (Bacher:1986:4).

By 1965, CMHC had to recognize that the Limited Dividend Program was a failure. Despite the financial advantages of tax reductions and exemptions, and the extension of long-term preferential interest rates, the majority of builders and developers showed little inclination to forego profits in favour of the opportunity to become social benefactors through the provision of low income housing. A 1965 CMHC memorandum states unequivocally:

> **Private developers should not be involved in the role of landlord within a system of controls upon rents, incomes and profits.** Advisory Group Report, November 12, 1965.p.15
> (Dennis:1972:227)

These conclusions should have marked the end of the attempt to provide low income housing units through the private development industry, but they did not. Instead, the limited dividend concept was amended and expanded.

CHAPTER 4

THE ENTREPRENEURIAL PHASE 1969-1975

By 1965, it was evident to CMHC that the tension between profit motive and low income housing need had created an insupportable policy, and limited dividend funding was reduced dramatically. But the cutbacks were shortlived. The third phase of the program began in 1969. It marks a six year period of unprecedented expansion during which almost 60,000 units were approved at a total cost of nearly one billion dollars. This policy reversal was a political decision implemented with complete disregard for expert opinion and all prior domestic and international experience.

The late 1960s were marked by political unrest, and by increased public awareness and concern about social issues. In 1968, the Special Senate Committee on Poverty was established under the chairmanship of Senator David Croll. The committee's report was overshadowed by the publication of <u>The Real Poverty Report</u> by four of the Senator's former staff members. This report recommended that the income limit for NHA mortgage funds should be lowered to make homeownership accessible to low income families (Adams:1971:119). In addition, two major task forces focussing specifically on housing were commissioned during this period. The first contributed to the expansion of the Limited Dividend/ Entrepreneurial Program, and the other finally hastened its demise.

4.1 THE HELLYER REPORT 1969

During the mid-1960s rising interest rates had engendered a general lag in construction activity, and by 1966 family formations outpaced the creation of new housing units. In recognition of this trend, the federal government appointed a task force to study the problem. The task force was constituted of prominent representatives from universities, banking and industry.34 The terms of reference were:

> To examine housing and urban development in Canada and to report on ways in which the federal government, in company with other levels of government and the private sector, can help meet the housing needs of all Canadians and contribute to the development of modern, vital cities (Hellyer:1969:1).

The introduction to the Report of the Federal Task Force on Housing and Urban Development (1969) expresses regret that,

> ...Time and circumstances often prevented the Task Force from digging as deeply as it might have wished into some of the issues before it...(and) that too often where basic data was lacking they were left without time and resource to undertake or commission the kind of research needed to fill the information gap...
>
> ...The Members offer no apology for the fact that some of their comments and conclusions stem as much from mental note or emotional impression as they do from proven fact. (Hellyer:1969:7)

The haste of the Task Force is evidenced in its findings. The implicit goal had been to produce a report with recommendations "capable of implementation in time to affect the spring

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34. In addition to chairman, Hon. Paul Hellyer, Minister of Transport and CMHC, the task force included several academics and W. Peter Carter, Royal Bank, and Robert Campeau, President of Campeau Corporation. (Hellyer:1969:2)

construction season", and the findings may well have been a foregone conclusion (Hellyer:1969:7). There is a strong tendency to regard homeownership as the preferred housing option for Canadians, and the Task Force detected a correspondingly "definite philosophy of homeownership" in all parts of the country (Hellyer:1969:17). The Task Force further expressed a strong belief in the ability of the market to meet these housing needs.

4.1.1 RECOMMENDATIONS

In recognition of the fact that many thousands live in rental accommodation, the Task Force recommended that more rental housing had to be built to create a competitive housing market.35 Given enough building and a high enough vacancy rate, it was assumed that decent housing should be available for most Canadians (Hellyer:1969:19). Fully funded public housing units were found to be unacceptable because of "an almost steady barrage of complaints and criticisms from those within." Therefore the Task Force recommended the cancellation of public housing projects (Hellyer:1969:19). This left the members with few options in the provision of housing for low and moderate income earners.

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35. The recommendations of the Hellyer Task Force addressed a range of housing and urban issues, including municipal planning, urban renewal, mortgage financing, administrative costs related to house purchases, and the renaming of Central Mortgage and Housing Corporation to Canada Mortgage and Housing. For purposes of this paper, only the recommendations related to rental housing are addressed here.

The primary recommendation of the Task Force was the creation of an average of 200,000 housing units a year for five years in order to create a surplus of 35,000 units. The means to accomplish this were already available:

> Within the framework of the present National Housing Act ...there are programs and policies which, if modified, and vigorously pursued by CMHC, could make a more substantial contribution toward the housing needs of middle and lower-income groups." (Hellyer:1969:35)

As it had been in the past, the preferred tool for creating low income rental housing units would be the Limited Dividend Program, amended and improved to make it more attractive to investors. In recognition of the dramatic drop in builder participation in the program from 1965 to 1967 (see table 1) when only four loans were approved, the Task Force recommended major changes. Because the program had the psychological advantage of subsidizing tenants indirectly, it had the special merit of not making tenants feel stigmatized, either personally or by the community. The Task Force suggested that CMHC, "through adequate provision of funds and through an active program of promotion and encouragement, can do much to achieve a wider use of Section 16 [limited dividend housing]". Specifically, the Task Force recommended a "reasonable and realistic increase" in the dividend limit, and that the mortgage lending limit be raised to 95% of the total cost of the project (Hellyer: 1969:36).

4.1.2 IMPLEMENTATION

Several of the conditions of the Limited Dividend Program were amended, changes that were justified as an effort to attract more and better builders to the program, and to give such owners a greater incentive to maintain the projects in a satisfactory condition. As recommended, developers were offered an increase in the maximum lending rate to 95% of the project's value. In place of the recommended dividend increase, however, the limit on dividends on paid-up capital was removed altogether, a step which eliminated the charitable tax exemption and any pretense of philanthropy that had still characterized the promotional campaigns of the earlier phase of the program. In addition, maximum (ingoing) tenant income levels were raised to make the units available to lower middle income earners, and CMHC lessened its involvement in post-completion control.36

After 1968, mortgages continued to be amortized at a fixed, preferential interest rate for a term of 50 years, but the terms of the mortgage agreement were amended to grant owners the option of "buying out" of the program 15 years after the completion of the project. Although owners would lose the advantage of preferred mortgage interest rates, they would be able to adjust

36. The new income limits, established in 1970, were 3 1/3 times the rent and 4 times the rent, respectively. This meant that incoming tenants could earn no more than three and one-third times the rent, and they would have to vacate the unit once their incomes exceeded one-fourth of the rent. (Pike:1972:18) Raising the incoming income levels meant that higher income earners were able to occupy these buildings.

rent levels to correspond to market rates, and they would be released from CMHC controls on their records and maintenance. No legislative measure was suggested for those tenants who might be displaced at that time.

Lastly, capital reserves were freed up by the elimination of contingency fund requirements for future maintenance and repair expenditures, a step welcomed by the development industry, because combined with depreciation allowances this capital would permit reinvestment in the rental housing market. The White Paper on Tax Reform (1969) had found that generous depreciation allowances on rental buildings were being used as tax shelters by upper income tax payers, and that recapture of depreciation could be postponed indefinitely by reinvestment in new buildings (Bucovetsky:1972:210). Combined with the removal of the dividend limitation, the elimination of the contingency fund requirement, and the availability of preferential interest rates made Section 15 a very attractive investment. The development industry reciprocated correspondingly. Of the 56,242 units committed under this program throughout Canada in the subsequent six years about 50,000 become eligible for buy-out between 1983 and 1992 (see table 7). 37

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37. Not all of these units were actually built, and a substantial number were lost to default. At the present time, there are about 50,000 post-1968 units which are or will be eligible for buy-out before 1992.

4.2 THE TASK FORCE ON LOW INCOME HOUSING 1972

Shortly after these program revisions were made, the Federal Government appointed a Task Force to review low income housing in Canada. Their findings were intended to serve as background material for revisions to the National Housing Act. 38 The publication of the Task Force findings appears to have influenced changes in Canadian social housing policy. Their recommendations led to the expansion of the municipal non-profit housing program, an expanded co-operative housing program with mixed income provisions, and to the phasing out of public housing projects which had been recommended earlier by the Hellyer Task Force. (Dennis:1972:218)

4.2.1 FINDINGS

Unlike the earlier task force, Dennis and Fish were very critical of Section 15, which in 1970 alone accounted for more than a quarter of a billion dollars in federal housing expenditures. Dennis and Fish traced the program's recurrent difficulties back to the mid 1950's. They found that the program had been justifiably cut back in the early 1960s, the problems

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38. Since CMHC did not release the Task Force report, Dennis and Fish, the principal authors, published a condensed version entitled Programs in Search of a Policy: Low Income Housing in Canada. The publication was possible only because the authors had retained the copyright for any materials they might produce along with "status of access to all files". (Interview with the Hon. Susan Fish, January 22, 1986, Toronto).

prevalent then were again apparent ten years later. They summarized the major flaws as follows:

1. Poor, marginal locations;

2. Inadequate site planning and facilities;

3. A propensity for one and two bedroom, high-rise units, and 'creaming out' of undesirable tenants;

4. Increased income limits. In its early years, the program was competitive with public housing. Today the program starts where public housing leaves off. The result is a substantial gap in the groups which can be served by the two programs [sic].

5. Heavy-handed management over which the federal government exercises no control;

6. Funding at a level that does not begin to meet the need;

7. A big-city bias, similar to that found in the public housing program. Only 9 per cent of all units have gone to centres of less than 25,000 people. (Dennis:1972:10)

All of these problems, they found, had existed in 1964, when CMHC had curtailed the program, and they reemerged with its restoration. In 1965, the Advisory Group of CMHC had recommended that the entrepreneurial Limited Dividend Program be abandoned, (Dennis:1972:15) while the Hellyer Task Force of 1969 had a direct influence on its greatest expansion. The revelations of the Dennis-Fish report in 1972 made the policy an untenable political embarrassment. On the other hand, the rate of population growth and family formations demanded the creation of more housing units, and this program appeared to offer a quick solution to the looming housing shortage. Even the Dennis-Fish report did not lead to the immediate cancellation of the program.

Yet another $370 million worth of projects were approved before this program was cancelled in favour of the Assisted Rental Program, which was to prove even less satisfactory. 39

4.3 POST-PROGRAM ACTIVITY

More than one-quarter of a billion dollars was committed in 1975 alone. Lending conditions specified a construction start deadline of 90 days from the date of commitment, but instructions issued in 1973 warned that "a commitment is not to be cancelled for any Section 15 project for reason of non-start alone, without consultation with the Director, Loans Division" (CMHC:1973-04-5:340-2). As a result, nearly one-quarter of the buildings in the current Limited Dividend/Entrepreneurial portfolio were completed in the ten years after the program was discontinued, and about 11,000 units were completed in 1976 and 1977. 40 Some projects, however, had an extraordinarily long lead time.41 At least another 2,000 units in the present portfolio were built

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39. The Assisted Rental Program (ARP) was introduced in 1975, amended in 1976 and 1977, and cancelled after only three years, in 1978 (Hulchanski:1982).

40. In 1978 and 1979 alone, an additional 1,645 units in Quebec were repossessed for mortgage default and sold at a loss of $8,523,000 (Sourial:1980:20).

41. Lead time is the interval between the approval for financing and the time required to obtain all necessary permits and materials required for the commencement of construction. Such intervals account for the discrepancies between the date of funding approval, housing starts, and housing completions.

between 1977 and 1985.42 Among them was a project in Windsor, Ontario, which was not completed until September 1, 1985 (CMHC:04-04-86).

The program which had always defied adequate administration now became all but unmanageable. Existing projects subject to different (pre-and post-1968) regulations, completions, late construction starts, and defaults created a constant flux in the Limited Dividend portfolio. The general confusion was further aggravated by CMHC's method of recording these inventories, because the statistical focus of this program has been on funding and the number of units approved as opposed to the number of units actually completed. Another set of figures released annually measured housing starts. Defaults, which accounted for one in five units completed, are not reported, and precise data regarding the number of units converted to market rental is not available. 43 As a result, control over and evaluation of the portfolio was further hindered by inadequate statistical reporting and analysis. The task was divided between the Social Housing, Mortgage and Insurance Claims and the Community

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42. This figure includes only units in the present portfolio. It does not include the number of units that defaulted between 1975 and 1985.

43. The problem of measurement of housing inventory is not confined to Canada. Similar discrepancies in U.S. data are discussed in Frank S. Kristoff's article, "Components of change in the nation's housing inventory in relation to the 1960 census", Wheaton, William L.C., Grace Milgram, and Margy Ellen Meyerson, eds. 1966. Urban Housing, Collier McMillan Ltd., London.

Improvement Divisions (CMHC:1985-05-07:B-1771). Between them, they introduced yet further problems into an already problematic program over the next ten years.

CHAPTER 5

PHASING OUT LIMITED DIVIDEND HOUSING 1975-1987

Although the Limited Dividend/Entrepreneurial Program (Section 15) has not been repealed, funding was officially discontinued in 1975. At the same time, most provinces introduced rent review policies in response to the federal imposition of wage and price controls. The Minister of Housing, Hon. Mr Barney Danson, anticipated that these steps would curtail program abuse and alleviate tenant discontent (Globe and Mail: July 14,1975:1). The expectation was not realized.

Some of the program's problems are systemic. They arise from the inherent tension between the social welfare and economic functions of this program, a tension aggravated with successive legislative amendments. This tension has given rise to a conflict between private and public interest which creates administrative difficulties, because of the unclear delineation of roles and responsibilities between private owners and public administrators.

Many of the problems that now beset this program were introduced over the decade following the phasing out of the program. Most of the administrative changes introduced between 1975 and 1985 further benefitted owners at the expense of tenants. Among the issues that emerged or were exacerbated during this period are:

1. The enforcement of operating agreements and the choice of legal options in the case on non-compliance with the operating agreement;

2. The enforcement of maintenance and repair clauses;

3. The setting and enforcement of incoming- and outgoing-tenant income levels;

4. The effect of rent review on rent levels and on owner compliance in the submission of financial statements;

5. The conditions for the sale of limited dividend buildings;

6. Buy-out and prepayment options and the development of policy alternatives to replace the units lost to the low income housing market as a result of these policies.

5.1 ADMINISTRATIVE RESPONSE

The introduction of provincial rent review guidelines in 1975 coincided with the final commitment of nearly a quarter of a billion dollars for additional projects. This represented almost a tripling of the 1968 portfolio, and that growth was particularly pronounced in Ontario and Quebec.[44] There are indications

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44. Most of the projects approved in 1975 were completed during the subsequent five years. (see also Table 6)

that the staffing of Agreements Administration offices did not grow correspondingly. Across Canada only 13 man/years were assigned to the supervision of nearly 90,000 units (Sourial: 1980:19). It is likely, therefore, that workload pressures account in part for the inadequate enforcement of operating agreements.

The lack of policy direction and commitment to the program's objectives also had a profound impact on the administration of the portfolio. Nearly 20,000 units were lost through default. In such cases, CMHC repossessed the building and generally sold it at a financial loss on the open housing market. An additional loss occurred, since resold units were no longer under CMHC's rent regulations and low income housing provisions. In Quebec, a total of 14,970 units were lost to default by 1982 (Hulchanski: 1983:17). In the Ontario, there were only 2,428 defaults, but maintenance and rent increase problems multiplied in both pre- and post-1968 buildings. Because CMHC's control over rent levels seemed to be a duplication of provincial rent review guidelines, it was proposed that the responsibility for controlling rent increases could be shifted to provincial rent review boards (Sourial:1980:Schedule I). Rent review boards in Ontario did not differentiate between limited dividend and other privately owned buildings, and tenants faced rent increases ranging up to 49% (LD Committee:Minutes:June 7, 1983).

It appears that, as a result of the reemergence of these issues in the late 1970s, CMHC considered the abandonment of the portfolio by discontinuing the enforcement of the operating agreement. Owners of both pre- and post-1968 buildings would be permitted to prepay their mortgages, and methods were devised to offset the impact of the loss of all of these units to the low income housing market. In effect, these changes would have contributed to the phasing out of the bulk of the portfolio within a decade.

In 1980, the Corporation commissioned a study to determine if control over the administration of Section 15 operating agreements continued to be warranted to achieve the program objective of providing housing for modest to low income tenants.45 The study concluded that such control was not only warranted, but should be improved, particularly with respect to the pre-1968 portfolio (Sourial:1980).

A review of the Guidelines and Procedures Manual between 1980 and 1983 indicate that attempts were made to consolidate and rationalize procedures. Administrative guidelines were amended or reiterated, and a series of policy changes were introduced, in one case only to be rescinded soon after it came into effect. In order to encourage better regional enforcement, the admini-

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45. The review may have been prompted by the change in government in 1979.

stration of the portfolio was decentralized. This resulted in a shift which delegated authority to the (regional) General Manager to undertake such enforcement measures as increasing the interest rate, or cancelling a loan "because of an unreconcilable breach of an Operating Agreement" (CMHC:1980-10-16:Amendment 9-7:1). There is no indication that local control and enforcement was more effective than the former centralized system.

5.1.1 ENFORCEMENT OF THE OPERATING AGREEMENT

According to the Operating Agreement, foreclosure is the main leverage the Corporation can exercise in a breach of contract (Appendix 2:#6). While the precise terms of the agreement have changed over the years, the CMHC Guidelines and Procedures Manual, 9.7.1.4/1.2.1 (81-04-29) lists the most common breaches as:

* further encumbering the project without CMHC approval; 46
* failure to rent the units in accordance with the terms of the Operating Agreement;
* failure to repay the mortgage account on the agreed terms;
* failure to submit financial statements;
* paying a dividend in excess of the amount allowed;
* introduction of a rent increase without CMHC approval; and
* failure to maintain and manage the project efficiently.

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46. An unauthorized encumbrance is the use of the project as collateral for additional loans, i.e. second or third mortgages.

Based on discussions with regional administrative officers, and on surveys of projects across the country, it appears that violations of the operating agreement are common. In many instances, current rent level information was not available, an indication that no financial statements had been submitted. Consequently, control over encumbrances, dividends and rent levels would not be possible. Administrators in most areas appeared to be relatively familiar with maintenance and management conditions of the projects in their jurisdictions, but maintenance inspections are not always carried out as scheduled.[47] This is attributed to staffing problems.

In some instances, local officers expressed reluctance to enforce the operating agreement where voluntary compliance could not be obtained. Their reluctance was based on the assumption that foreclosure is the only avenue of redress, and that this would achieve the owners' objective of being permitted to buy out of the terms of the operating agreement, since the owner could then refinance the project, discharge the mortgage, and obtain release from the terms of the operating agreement. In some instances, the reluctance of local administrators to enforce the operating agreement adequately was also based on an acknowledged conflict between the private owners' right to maximize profits, and the needs of the tenants. Nevertheless, court proceedings

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47. One owner indicated that his building had not been inspected in more than five years. He requested confidentiality.

for non-compliance were initiated or contemplated by offices in Vancouver, Calgary and St. John's. These cases are based on specific instances of non-performance. An opinion offered by CMHC's solicitors in 1980 indicates that legal remedies apart from foreclosure may be found (CMHC:23-05-80). This suggests that the operating agreement may be more readily enforceable than administrators are inclined to believe.

5.1.2 MAINTENANCE

While the Federal Government, through CMHC, continues to be responsible for this program, many aspects of its administration, and particularly those that relate to actual maintenance standards and rent levels, simultaneously fall under the jurisdiction of provincial or municipal governments. Until the 1960s municipalities viewed the Limited Dividend Housing Program as equal to or intermediate between public and private rental housing (Metropolitan Toronto Planning Board: 1963). In the Metropolitan Toronto area, however, there appears to be a tendency to view these buildings as equivalent to public housing and therefore not a municipal responsibility, while provincial governments know them not to be a part of their housing obligations and expect the municipalities or CMHC to oversee them. According to some CMHC officials in other parts of the country, similar perceptions appear to prevail in their communities, especially with respect to downtown and pre-1968 buildings.

During interviews conducted in 1986, tenants complained about long waiting periods for repairs and poor workmanship in isolated projects in all of the cities surveyed, but projects in Western Canada are generally in good condition. In the Halifax area, poor maintenance standards are found primarily in inner city developments, while projects in outlying upper and middle income areas appear to be well maintained. In Toronto and Montreal, poorly maintained projects are located in primarily but not solely in suburban communities.

5.1.3 TENANT INCOME LEVELS

One of the central features of the Limited Dividend Program has been the emphasis on the objective of serving low income groups. Therefore, in accordance with the terms of the Operating Agreement, owners are obligated to maintain the low income character of the building and to insure, through full financial disclosure from prospective tenants, that tenants' incomes meet minimum rent/income ratio regulations.

Ingoing tenant income levels are not indexed. In 1938, the rent level was fixed at one-fifth of the tenant's annual income. This was raised so that a tenant qualified for a unit, if the total family income was four times the annual rent or less. He or she would have to vacate the apartment when the family income exceeded four times the rent plus 25%. There were no outgoing income levels for tenants in post-1968 buildings, and this meant

that tenants whose income rose significantly did not have to vacate their apartments in favour of other low income tenants. If the owner could demonstrate that no acceptable tenants could be found within the low income range, CMHC could raise incoming income levels (CMHC:1981-04-29:9.7.1.4/2.4.2).

Until recently, tenants could be evicted for exceeding upper income limits. Such evictions were relatively rare, because landlords generally prefer to rent to higher income tenants. The regulation had been found to be unenforceable in several provinces where evictions on the basis of income had been judged illegal. CMHC has, therefore, abandoned the upper income limit regulation (CMHC:1985-05-07:3). There is, however, no legislative impediment to an insistence on ingoing income levels which would ensure that only low income tenants were able to rent such units.

5.1.4 RENT REVIEW

The cross-cutting of jurisdictions is further exemplified in the absence of any legal recognition of the status and intent of this program in provincial rent review legislation. Rent review is currently in effect in all provinces except British Columbia and Alberta. In some instances, this legislation actively undermines the low rental intent of the program.48 There are no

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48. The only province in which rent review appears to work to the advantage of Limited Dividend tenants is Nova Scotia. There rent increases for these buildings are based either on the

indications that CMHC has attempted at any time to arrive at a federal-provincial agreement to halt this erosion.

In provinces without rent review, rent increases are usually based on individual assessments of the economic viability of the project, while in Toronto CMHC-approved rents are set at about $10 to $15 a month below market levels. CMHC's 1973 instructions specified that "rent levels must reflect the savings that arise from the favourable financing and should therefore be $15 to $30 below the market for comparable accommodation" (CMHC:1973-4-5: 340-1). 49 The net benefit for tenants therefore ranges from only $120 to $180 a year in the Toronto area, and between $180 and $360 in other areas.

Under the rent review legislation in effect in Ontario until 1986, the rent of one limited dividend building has been increased by 83% since 1981. These rents are likely to increase more rapidly, because Ontario's revised rent review legislation, Bill 51 Section 88, contains a 'catch-up' formula for buildings

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determination of rent review or on CMHC's internal review. According to the local CMHC official, rents are always based on the lower award (Interview, October 6, 1986).

49. Although market and limited dividend rent comparisons are difficult, since CMHC data does not differentiate between fully serviced and partially unserviced units, it appears that project rent levels are generally lowest in the province of Alberta, where rent review was repealed in 1980. Monthly rents in the Alberta projects surveyed ranged between $165 (plus utilities) to $345 (plus heat).

with "chronically depressed" rents. The Limited Dividend Program is not exempted from this formula. Since rents in these projects are, as intended, lower than market rents, owners may argue successfully that they should qualify for rent increases under this clause. Rent review is, therefore, likely to erode the program in Ontario.

The rent review dilemma is further aggravated by CMHC's policy which discourages administrators' participation at review hearings. According to these regulations, administrators must consult with the General Manager, if a tenants' association requests information regarding a rent increase. They must further "ensure that the information...is restricted to a simple statement of the approved rentals". Any requests to appear before a provincial review board are to be declined, and "only subpoenas will be complied with by appearances". A note indicates that informal discussions may be held with the rent review officers, and any important information resulting from the interview must be reported to the General Manager (CMHC:1981-04-29:9.7.2.4/5.16-19). This regulation would help to ensure that rent review officers are never fully informed of the nature and intent of the operating agreement and the program.

In Newfoundland, the Landlord Tenant Review Board granted a 58% rent increase to the owner of a 150 unit project (see p.58). Assistant Director Philip Moore justified the increase on the

grounds that Newfoundland's Landlord and Tenant Act (Ch. 16 S.20.1) requires that the rent awarded be based on (a) a fair and equitable return on investment, and (b) the current fair market value (Interview, October 2, 1986). The qualifying clause, "such other matters as may be appropriate in the circumstances of the case," such as the fact that the building is financed at a highly favourable, publicly underwritten interest rate, does not appear to have been a mitigating factor in this award. If this decision sets a precedent, prohibitive rent increases may be imposed on a large number of low income tenants in that province.

The most detrimental effect of rent review legislation, however, is the impact it has on the enforcement of the operating agreement. In most provinces, rents can be increased up to a set annual limit without appeal, and these increases may or may not be justified in terms of the stipulations of the operating agreement. CMHC officials in several provinces indicated that some landlords refuse to submit financial statements or obtain CMHC approval for rent increases, because they do not wish to report essentially the same information to two government agencies. This position was confirmed by a Toronto area developer (Interview, January 28, 1987). Although this stance would appear to be reasonable, it does not warrant a breach of the operating agreement. Several staff members have indicated that they unsuccessfully requested a copy of the financial statement submitted to rent review, but that some owners still

refuse to comply. It should be noted that submissions to rent review boards are part of the public record, and that the majority of landlords do not apply annually for rent increases requiring financial statements. Duplication of reporting procedures would occur only in those years in which a rent increase above the predetermined provincial ceiling is requested.

5.1.5 PREPAYMENT OPTIONS

No single aspect of this program demonstrates more clearly the conflict between the social welfare and economic functions of this housing program than the policy changes for pre-1968 buildings. Because rents for these projects tend to be well below market levels and thus serve a lower income population, the Sourial study described the pre-1968 units as the "most socially valuable portion of this portfolio" (Sourial:1980:4). It was this portion of the portfolio that was scheduled to be released beginning in January 1983, where owners wished to buy out of the operating agreement.

Between 1946 and 1968, limited dividend projects were locked into the terms of the operating agreement for the full term of the mortgage (40 or 50 years). In 1968, this provision was reduced to a 15 year period, while the 50 year mortgage amortization term remained in effect, provided that the owner did not choose to buy out of the program (CMHC:1967-12-27:4-5). In 1981, similar prepayment privileges were also extended to

buildings erected between 1946 and 1967 (CMHC: 1981-04-29:9-7.3). Owners of such units were notified 1982 of their right to prepay the outstanding mortgage commencing January 1, 1983 (CMHC:1981-10-27; 1982-03-30.9.7.2.10/1).

The prepayment option extended for all pre-1968 limited dividend projects was subject to the following conditions:

1. The provincial or municipal public housing authority in the area must have been offered a bona fide opportunity to lease a block of units in the project to accommodate subsidized tenants [Section 44(1)(a)];

2. The outstanding balance was to be paid in full; and

4. Owners renting to military personnel would have to obtain written approval from the Department of National Defence. (CMHC:83-03-30:9.7.1.4/1.2.1)

These provisions would have protected only those tenants whose income was sufficiently low to qualify them for public housing, but no provision was made for those tenants whose income was even marginally above that limit. The prepayment option was rescinded in March, 1983, three months after it came into effect. The offer was withdrawn "due to hardship experienced by low income families" (CMHC:March 22, 1983). No data is as yet available on the number of owners of pre-1968 buildings who have prepaid their mortgage prior to term since January 1, 1983 (CMHC: November 25, 1986).

5.2 ADMINISTRATIVE CHANGE 1985-1987

In Metropolitan Toronto, the changes introduced in 1982 did not achieve their objectives. Several community organizations co-operated in a study of Limited Dividend projects in response to the problems of their client groups. The committee's brief to CMHC may have contributed to the undertaking of a review of policies and procedures in 1984-85. These internal studies indicated "the need to make a change in organization and approach" (CMHC:1985-05-07:1). Since then CMHC has made attempts to ameliorate some of the serious problems common to buildings under this program. In 1985, the responsibility for Section 15 was shifted from the Social Housing, Mortgage and Insurance Claims Division to the Portfolio Management Group. The shift led to the introduction of policy and procedural changes effective June 1, 1985. The objectives of the administrative change were "to protect the program's low income character, to streamline administrative procedures, and to encourage repayment of mortgage principal where projects are no longer serving a low-income population and market conditions do not warrant CMHC's continued control" (CMHC:7:06:1985:1-2).

Along with the transfer of the portfolio, the inventory and reporting procedure was consolidated and computerized. Financial statements, rent levels and other information must be transmitted to National Office, and local administrative officers are notified when physical inspections are due. The system is not

yet in full operation, and several local officers expressed concern to me about its implementation. Nevertheless, it may be expected that when the system is fully operational, it will lead to greater administrative efficiency and uniformity.

5.2.1 TENANT INGOING INCOME LEVELS

Effective January 1, 1986, income eligibility levels for incoming tenants were raised once again to make the project accessible to "the upper limit of Statistics Canada's second quintile of family income distribution" (see table 5). The change was introduced, because "project improvements requiring rent increases become very difficult where only the lowest incomes are targeted, resulting in deterioration of the project" (CMHC:1985-05-07:3).

TABLE 5

TENANT ELIGIBILITY: UPPER LIMIT
(2nd QUINTILE FAMILY INCOME)

Newfoundland	$20,209
Prince Edward Island	22,614
Nova Scotia	22,749
New Brunswick	22,398
Quebec	25,711
Ontario	29,483
Manitoba	25,877
Saskatchewan	23,982
Alberta	28,430
British Columbia	26,951

Source: CMHC. November 26, 1985. "Memorandum No. B-1771", National Office, Ottawa.

In effect, this new income schedule means that owners can rent to higher income tenants so that the cost of upgrading and rehabilitation of deteriorating buildings might be more readily recoverable through rent increases.

5.2.2 CONDITIONS FOR THE SALE OF PROJECTS

The majority of projects surveyed across the country which indicated problems with both poor maintenance and high rent levels have been sold at least once.[50] Although this has not been substantiated by a review of project files, it may be assumed that some second or third owners do not always appreciate fully the implications of the stipulations of the operating agreement at the time of purchase. Subsequently, they may attempt to maximize the projects' profitability by reducing operating expenditures and by imposing substantial rent increases. Such projects often provide highly unsatisfactory living conditions for tenants.

The operating agreement stipulates that a project can only be sold with CMHC's approval. Among the policies for the sale of a project are conditions which prohibit the transfer of a project's deficit or deficit allowance to a purchaser.[51] Any project surpluses, on the other hand, are required to be passed

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50. The sale of these buildings was suggested by tenants interviewed and confirmed by local CMHC officials.

51. A deficit allowance is that proportion of the rent which is surcharged to permit the gradual elimination of the deficit.

on to tenants. In addition, branch managers are instructed to verify the project's lock-in period, and to ensure that prospective purchasers are aware of it (CMHC:7.16.1.2/37-39).

Despite these and other provisions, the sale of Limited Dividend projects appears to pose problems for both owners and tenants. It is essential that prospective owners should be made aware of the levels of profitability of a building. Without limiting the owners' right to dispose of their property, it might be preferable for CMHC to offer to purchase the project, particularly where it serves a low income population.

5.2.3 SUPPLEMENTARY AGREEMENT

A supplementary agreement was offered to owners in June, 1985. 52 This offers the option of raising rental ceilings without consultation with the Corporation, provided only that those rent increases do not exceed 12% a year (subject to provincial rent review guidelines and periodic review by CMHC). The agreement specifies that rents should not be increased to exceed 25% of a tenant's total family income. This protection is not otherwise extended to tenants in limited dividend buildings,

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52. The Accelerated Prepayment option is similar to the incentives offered to owners in West Germany. In 1976, 555 out of 1,960 non-profit housing associations were limited dividend companies owned by private market investors. Owners were allowed an accelerated depreciation which permitted the write-off of 40% of the investment over a period of eight years. The main requirement for qualification was the maintenance of "responsible" cost-based rent levels (McGuire: 1981:143-144).

and it applies only to tenants who have filed an income declaration and whose incomes fall below the second quintile limit (see table 5). As well as a higher return on investment, owners gain prepayment privileges of their mortgage with CMHC (CMHC: June,1985).

Only five project owners have signed an Accelerated Repayment Agreement as of December 16, 1986. A further seven owners had declared their intent to do so. Among them are eight small projects (70 units or less), and several projects are located in high income residential areas. The majority are post-1968 buildings with rent levels approaching market rates. A total of 855 units are likely to be affected (CMHC:December, 1986). The relatively minimal owner response to the Accelerated Repayment option is probably partly attributable to a reluctance of regional officers to promote the policy. Interviews with staff members in offices across the country indicate that most consider the option to be of no particular benefit to owners or tenants.

Concern about the benefit to tenants would appear to be justified, particularly with respect to the pre-1968 portion of the portfolio. The two pre-1968 projects buildings likely to be included are mortgaged at 3 3/4 and 5 1/8% respectively. While such projects generally offer a minimum of conveniences and facilities, many are centrally located, and overhead costs and

rents tend to be low. Although it may be argued that the accelerated repayment of such low interest mortgages represents a substantial interest rate differential subsidy, it is unlikely that similarly low cost accommodation can be created at lower cost for those tenants unable to pay market rents.

One of the two pre-1968 projects likely to accept the Accelerated Prepayment Option, for example, appears to serve a very low income population. The project is in poor condition. Cement stoops are crumbling, wood-frame, single pane windows are covered in plastic sheeting, and the parking lots are littered and unpaved. It is likely that the project will require extensive and costly upgrading, and that most of the present tenants will seek subsidized accommodation.

In contrast, some of the newer, post-1968 buildings approximate market rentals. Some are located in very good neighbourhoods and cannot be differentiated from market rental buildings (see also Chapter 5). These projects serve higher income groups, and there would seem to be little justification for their continued inclusion in the Social Housing Portfolio.

5.2.4 CONVERSIONS

Of the 103,941 units approved under Section 15 since 1946, only 60,593 units (58%) were in the portfolio in March 1986.53 The discrepancy of 43,348 units arises from a number of factors. Most important of these is the fact that CMHC's figures cite the number of units approved, and it appears that 14,717 of the approved units were not actually built (see table 6). Further complicating the determination of the actual inventory is the extraordinarily high default rate of 21.8%. By 1983, defaults accounted for an additional 19,462 units (Hulchanski: 1983:15,17). At a conservative estimated cost of about $6,000 per unit, this represents a loss of $200 million sustained by CMHC on unbuilt and defaulted units over the life of the program.54

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53. In 1980, Sourial (1980:1) identified an inventory of 71,415 units consisting of:

(1) 14,926 pre-1969 units (125 projects)
(2) 55,990 post-1968 units (542 projects)
(3) 499 small rehabilitation units (83 projects)

54. The per unit loss estimate is based on average losses sustained by CMHC on the sale of defaulted units in Quebec in 1978 and 1979 (Sourial:1980:20).

TABLE 6

REGIONAL CONVERSIONS OF
LIMITED DIVIDEND/ENTREPRENEURIAL UNITS 1982-1986

Location	Built*	Defaults*	Inventory 1982	1986	Converted 1982-86
Newfoundland	1,975	358	1,617	1,402	-215
Nova Scotia	3,047	221	2,826	2,868	(+44)**
New Brunswick	1,269	643	626	650	(+24)**
P.E.I.	-	-	-	-	-
Quebec	29,241	14,970	14,271	10,480	-3,791
Ontario	33,144	2,428	30,716	28,355	-2,361
Manitoba	5,555	650	4,905	3,636	-1,269
Saskatchewan	2,380	-	2,380	2,264	-116
Alberta	8,171	96	8,075	7,066	1,009
B.C.	4,442	96	4,346	3,872	474
Canada	89,224	19,462	69,762	60,593	9,169

*Source: Hulchanski (1983) The Limited Dividend Program 1938-1974, unpublished draft, p.11, Vancouver.
**Additional units due to late completions.
Note: Hulchanski's 1982 figures are based on data released by CMHC in that year. 1986 figures are derived CMHC's Section 15 Project List (4-04-1986).

Between 1980 and 1982, 1,653 units were lost to the low income housing market through buy-out, mortgage retirement or default. Table 6 indicates that since 1983, a further 9,169 units have been converted. Another 855 units are scheduled to be phased out through the Accelerated Prepayment option.

About three-quarters of the units in the (1986) portfolio were built after 1969, and they contain the 15-year buy-out option. The owners of these units will therefore be eligible to buy out of their operating agreement with CMHC within the next

five years (see table 7).[55] This was not a viable option while market interest rates were substantially higher than CMHC lending rates, and while provincial rent review guidelines exercised a measure of control over rent increases. Coincident with the recent decline in prime rates, however, all CMHC offices consulted expected project buy-outs or reported owner inquiries.

Two provinces, Alberta and British Columbia, have discontinued their rent review systems, and the rent review board of St. John's, Newfoundland has recognized the right of owners to charge market rents, even if the project is publicly subsidized. Similarly, Ontario's revised rent review system will permit owners to raise their rents to market levels. Relaxed rent review guidelines and reduced interest rates are likely to induce increasing numbers of owners to buy out of the operating agreement when the 15 year lock-in period expires. In Newfoundland, these developments are particularly significant in that all 1,402 units in that province were built after 1968, and all are, or will be, eligible for buy-out by 1990. There should, however, be concern in other provinces as well. Since many projects serve a low income population, the loss of these units may have a profound impact on the demand for public housing.

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55. Most units containing the 15-year buy-out clause were built between 1969 and 1977.

TABLE 7

REGIONAL DISTRIBUTION OF
ENTREPRENEURIAL UNITS ELIGIBLE FOR BUY-OUT

Province	Total Inventory	Eligible	%of Total Inventory
Newfoundland	1,402	1,402	100
Nova Scotia	2,868	2,630	92
New Brunswick	650	511	79
Prince Edward Island	-	-	-
Quebec	10,480	9,062	86
Ontario	28,355	21,164	75
Manitoba	3,636	3,091	85
Saskatchewan	2,264	1,373	61
Alberta	7,066	5,418	77
British Columbia	3,872	3,772	97
Canada	60,593	47,021	78%

Note: This table was compiled from CMHC's Section 15 Social Housing Project List (4-04-1986).

Between 1975 and 1987 the administration of the portfolio was greatly complicated by constantly shifting inventories due to late completions, defaults, and buy-outs. Adding to the complexity were jurisdictional problems arising from the introduction of a variety of rent controls, the discontinuation of such controls in some provinces, and the variation between municipal housing standards. Further problems arose as a result of uncertainties in policy direction, the refusal of some owners to comply with the stipulations of the operating agreement, and the inability or unwillingness of local administrative officers to enforce the operating agreement effectively. All of the factors have contributed, to some extent, to the problems experienced by tenants.

CHAPTER 6

CURRENT CONDITIONS

In order to assess the impact of recent legislative and administrative changes, and in order to account for the current difficulties experienced by tenants, it is necessary to determine the kind, quality and cost of the housing built under this program. In addition, it is necessary to establish the extent to which Toronto area problems are common to other regions, and the extent to which the program meets low income housing needs. To this end, a survey was conducted between September 1986 and January 1987.

It must be stressed at the outset that time and financial constraints circumscribed the extent and depth of the survey outlined below. The total number of responses was relatively small, and the sample obtained is not claimed to be representative. The results are therefore included only where they correspond to findings from 25 in-home interviews, and to external surveys of 125 limited dividend building across the country. 56

The survey has confirmed many of the findings of previous reviews of the program. Although there are a few very good, reasonably priced projects which serve a low income population,

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56. For a detailed description of the methodology, the questionnaire, and the responses see Appendix 1 A,B,C.

there are essentially two types of projects. One type, built prior to 1968, was constructed to minimum specifications, and consequently lacks even the most basic amenities such as laundry rooms, elevators, lobbies, and even doorbells.57 Outside of Toronto and Montreal, however, many projects are reasonably well maintained. The other type, built after 1968, is generally better designed and located near higher income areas. Rents are correspondingly higher.

Among the problems experienced by tenants are instances of high rent increases which make these units unaffordable for many low income tenants; arbitrary management practices aimed most often against children; poor maintenance, heat and hot water; unapproved and differentiated rent increases; and lack of security measures. The following examples illustrate some of the problems:

* In September 1986, Viking Enterprises, the owner of a 150 unit townhouse development on Cumberland Cres., St. John's won the right to impose a 58% rent increase (built 1971). The increase was opposed by the local CMHC office. In a letter to tenants the landlord warns that CMHC might call the mortgage loan

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57. The absence of doorbells, which would appear to be a minor issue, represents a major inconvenience for tenants, since visitors cannot enter the building unless they telephone first. Tenants must then wait by the entrance door for visitors to arrive. The alternative is to decrease security by leaving the entrance doors unlocked.

on the project, and that such action would result in an additional $35 rent increase to cover increased carrying charges (Viking:1986). Poorly fitted windows and doors in this development contribute to high heating costs. When added to the estimated utility cost of $150 a month, the additional rent increase would raise the monthly housing expenditure to $590. Several tenants indicated that they would have to move and that they were looking for subsidized accommodation. 58

* Tenants at 2737 Kipling Avenue (built 1978) in Rexdale, Ontario have experienced the same "heavy-handed management practices" common to some older Limited Dividend complexes (Dennis and Fish: 1972:10). In addition to inadequate supplies of heat and hot water, tenants have been denied access to the recreation room. In 1985, the landlord applied unsuccessfully to convert the recreation room into an additional apartment.

* Tenants in a 225 unit townhouse development on Baylor Avenue, Winnipeg, report that the only way to get needed repairs is to group together and complain to the project's management. Repairs are carried out only for those tenants who complained. One tenant unsuccessfully requested repairs to a kitchen stove five times over a period of 10 months.

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58. Utility cost estimates are based on tenant interviews, October 4, 1986.

* A seven storey apartment building at 4 Treewood Street, Scarborough (built 1962), has no recreation room. A sign in the lobby proclaims:

1. Children under the age of 12 are not to use the elevators unless in the company of an adult.
2. Children are not allowed to play or loiter in the stairwells, corridors and lobby.
3. Children are not to be allowed into the laundry room at any time.

Another sign in the lobby warned that barbecuing on the balcony is "strictly forbidden" and would result in eviction. 59

* The project at 8590 Jean Brillon in Lasalle, Quebec (built 1959) has been sold twice. Maintenance in the building is poor, and tenants report problems with windows, doors, balconies, appliances and roaches. Contrary to CMHC regulations, rent increases are negotiated individually. Rents for similarly sized apartments vary as much as $45 per unit per month (Interviews, October 13, 1986).

* Between 1983 and 1987, when the 200 unit building at 2700 Lawrence Avenue East, Scarborough, Ontario (built 1962), was sold by its original owner, rents have been increased by 83%. Tenants are worried about lack of security, because of several alleged assaults. Redevelopment in the immediate area has raised the concern that the building may be torn down (Interview, February 7, 1987).

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59. Sign posted in the lobby of 4 Treewood St., Scarborough, Ontario, January 31, 1987.

6.1 GENERAL CHARACTERISTICS OF LIMITED DIVIDEND PROJECTS

Limited Dividend projects across the country vary widely in age, size, type of construction, landscaping, rental and utility costs, and in the quality of life they offer (Figs. 1-16). In addition, they differ greatly in location relative to distance from the urban core and community services. The majority of older projects are, nevertheless, readily identifiable, primarily by a notable lack of landscaping, and a stark, "no frills" design that is subject to regional variations. Typically, projects other than those in the metropolitan areas of Toronto and Montreal are in acceptable condition.

6.1.1 RELATIONSHIP BETWEEN LOCATION AND AGE OF PROJECT

The ages of the projects surveyed range from 6 to 30 years. The older projects were generally built in outlying suburbs which have since been incorporated into mature communities by urban growth. Many of these sites are now relatively centrally located, and they have therefore increased substantially in land value. Urban growth has also brought the concomitant community and transportation services within the vicinity of most of these projects.

Similarly, the great majority of post-1968 projects are in growing suburban areas, and they tend to be located in more marginal sites near railroad tracks, marshalling yards and landfill sites, or adjacent to industrial or commercial areas

(Figs. 1,2,5,11,12,). In Metropolitan Toronto, most projects are in the suburban communities of Scarborough and North York. In the greater Montreal area, a number of projects are located in Anjou, Montreal Nord, Lasalle and Verdun. Most cities have some high density developments near inner city neighbourhoods or older urban renewal schemes. These are primarily highrises serving seniors, couples and small families, or single adults.

Among the more recent post-1968 projects several are located in or near prestige or upper income areas (Figs.15,16). These include developments in the Clayton Park and Point Pleasant Park areas of Halifax. In British Columbia, there is one project in North Vancouver and two in False Creek, both high income communities.

6.1.2 ARCHITECTURE AND DESIGN

While core area projects are highrise developments, suburban projects also include walk-ups, low rises, and townhouses. Most, but not all, can be readily identified by the absence of such amenities as landscaping and parking lot lighting generally found in market housing developments (Figs. 1,5,7-12). There are also marked regional similarities in building styles that point to a relatively small group of developers of Limited Dividend projects in each area. Most Limited Dividend projects are of wood frame or concrete frame construction, although there are also some solid masonry and steel frame buildings (CMHC:04-04-

86). Pre-1968 buildings were generally built to minimum specifications, without lobbies, landscaping or other amenities (Figs. 5-8). This also applies to some post-1968 buildings (Figs. 1,10-12).

Some projects built since 1968 were clearly never intended to serve a low income housing market, and it is probable that these will be bought out as soon the operating agreement and lending conditions permit. These projects feature amenities generally found in market rental developments. Such amenities may include balconies, lobbies and professional landscaping. As a result, several of the newest (post 1975) projects are indistinguishable from other developments in the immediate vicinity.

6.1.3 PROJECTS LEASED BY THE DEPARTMENT OF NATIONAL DEFENSE

In several cities, Limited Dividend projects are leased from private owners by the Department of National Defense (DND) for rent to enlisted personnel. These projects are leased on a long term basis, and contractual arrangements with DND give local CMHC offices little or no control over the maintenance and administration of these projects.60

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60. Conversations with CMHC administrators in Toronto, Vancouver and Halifax.

DND leased projects in North York, Ont., Dartmouth, N.S., and Comox, B.C., are generally bleak (Figs. 7,8). All date back to the period prior to 1968, and prior to the general upgrading in the quality of construction of Limited Dividend projects. The Dartmouth (1955) and North York (1956) projects are plain walk-ups or townhouse units. They have good security systems and well equipped, fenced playgrounds, but they lack landscaping and any discernible external improvements. In some instances, Limited Dividend units are both worse and more expensive than other DND rental units.61 On the North York base, rents for a "run-down batch of row-houses" range from $363 to $380. Among the tenants they are known as "LDH" or "Little Dog Houses". (Sunday Star: January 4,1987:A8)

6.1.4 EFFECTIVENESS

With the exception of a few high-rental projects, most limited dividend housing serves low to modest income earners, and the standard of accommodation is generally acceptable. There are some outstandingly good projects in most cities, and there is also at least one very poor project. In all but one of these cases the projects have undergone at least one change in ownership.

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61. Rents for DND row houses in Stanley Green Park, North York, range from $310 to $360 a month. (Sunday Star: January 4, 1987:A8)

6.2 REGIONAL CHARACTERISTICS OF LIMITED DIVIDEND HOUSING

6.2.1 MARITIMES

In the Maritimes, Limited Dividend projects are generally low rises and townhouses, but there are also highrise developments (Fig. 2,4,9). In downtown Halifax there is a high density highrise complex of three buildings comprising 507 units. The great majority of projects in the current portfolio were built after 1968, and they are of reasonably good quality.

Most projects in St. John's, Nfld. are readily accessible from the urban core and close to community and transportation services. One project recently repossessed by CMHC has been extensively renovated and converted to co-operative housing. A senior citizens' project in St. John's also appears to be very successful (Fig. 6). It is well-kept, and it provides garden plots for cultivation by interested residents.62 Despite the apparent success of most of the projects in St. John's, there is reason for serious concern because a recent rent review decision allowing a $150 rent increase in a limited dividend project may undermine the entire program in that province (see Chapter 5.1.4).

In Sydney, N.S. Limited Dividend projects are located on the outskirts of town (Fig. 10). They are not landscaped, but appear

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62. The tenants' only complaint is the difficulty of walking uphill to the local shopping centre or to the bus stop.

generally well maintained. This is true for only a few of the projects in St. John, N.B. (Figs. 11,12). Most of the projects in that city are also located on the outskirts, and many show signs of neglect. Most are in isolated areas, near hydro corridors or on barren rocks.

In contrast, several of the newer projects in Halifax are in good residential subdivisions. There is one 497 unit inner city project, and one highrise development is adjacent to a prime residential area. The projects in Dartmouth are less well situated, but they are also in relatively good, established neighbourhoods.

6.2.2 GREATER MONTREAL

Montreal area projects are located in the city centre as well as in suburban communities. Centrally located projects are new highrises, while suburban projects are primarily high density low-rise or townhouse units (Fig. 1). Downtown projects frequently have commercial establishments on the ground floor.

In addition to the general mix of housing units, there are small, old apartment buildings in the Montreal area in which Limited Dividend funds were used to upgrade existing small rental premises ranging from 2 to 14 units (Figs. 13,14). Of the 50 small buildings financed under the program in the Montreal area, ten appear to be owner-occupied. Although no new housing units

would seem to have been created through this type of spending, and although a large proportion of owners appear to live in some of these units, the preferred mortgage rate on these buildings is amortized over a fixed 30 year term. (CMHC:4:04:86) 63

Maintenance and rent levels of projects in the Montreal area vary greatly. One project in Montreal Nord, for example, is exceptionally well run. Maintenance standards are very high, and rents are kept low, and units are rented primarily to seniors and people on social assistance. In contrast, tenants report that, contrary to CMHC regulations, higher rents in a project in Lasalle have been negotiated on the basis of repairs to be carried out in individual units or as new tenants move in. Consequently there are substantial, unapproved rent differentials in the building.64

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63. In 1980, there were 83 such projects in Quebec. In a "Memorandum" dated December 31, 1980, A.D. Baird, Manager of Mortgage and Property Administration, advised the General Manager of the Quebec Region that these buildings should be refinanced. As a result, 33 mortgages were transferred to Section 58.
It is expected that the remaining small Montreal area projects will be removed from the limited dividend (Section 15) portfolio through refinancing (Interview, G.Devine, Nov.29,1986).

64. According to the operating agreement, rent levels must be approved by CMHC. It appears, therefore, that the rents in this building have been raised in contravention of the operating agreement.

6.2.3 GREATER TORONTO

Toronto area projects have a long history of problems. Most buildings in Toronto and area are high density developments (Fig. 2). While this city has a large number of projects in comparison with other communities throughout the country, it also has a disproportionately large number of problem projects. Most difficulties experienced by tenants stem from inadequate maintenance and high rent increases. There are some well maintained projects in all parts of the city. It appears, however, that tenants are very carefully selected. Consequently, these buildings serve primarily older, childless couples.

The suburban community of Scarborough, Ontario has more Limited Dividend units than any other municipality in Canada. Nearly one-tenth of the total (1986) inventory is located in that city.65 In Scarborough, these projects are "a matter of continuing concern, [and their] physical condition is just the tip of the iceberg, at best a symptom of measure [sic] of a host of inter-related problems" (Scarborough:1986). On March 13, 1985, a Property Standards Division report found that a quarter of the Limited Dividend buildings in the city "will require significant repair." This compares unfavourably with a finding of only 16% of other privately owned apartment buildings in similar condition (see table 8).

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65. Of Canada's total 60,593 Section 15 units in the portfolio in 1986, 4,983 were in Scarborough.

TABLE 8

MAINTENANCE STANDARDS - SCARBOROUGH, ONT. 1985

Condition	Limited Dividend Apartments	Market Rental Apartments
good to excellent	24%	25%
satisfactory	51%	59%
poor	24%	16%

Source: Scarborough, Ontario, Property Standards Division. March 13, 1985. Report. "2700 Lawrence Avenue East, and other Limited Dividend Buildings," Scarborough.

6.2.4 PRAIRIE PROVINCES

Housing projects in the Prairie provinces are primarily low rise and townhouse units. There is a mix of pre- and post-1968 buildings, and most appear to be in relatively good condition.66 In Winnipeg, many older projects are clearly identifiable by the distinctive glazed brick used in construction. Most of those buildings have no lobby, and many lack intercom systems and other basic conveniences such as elevators or garbage rooms. Rents are generally kept low, and the projects serve primarily low income earners. Several projects in Winnipeg back onto hydro corridors or industrial/commercial areas.

66. CMHC officials in Winnipeg explained that "community pressure" would account for the fact that there are no seriously run-down projects in their city.

Only one Winnipeg area project showed outward evidence of neglect. Walkways were broken, and lawns and parking lots were littered with debris. Tenants reported that repairs were made only after repeated complaints, and only in those parts of the project where complaints had been received.

In Calgary, most Limited Dividend housing consists of townhouses built on large tracts of land with generous green spaces and parking lots between rows of units. They are usually surrounded by established communities which offer a range of community services. Larger projects are located near the city centre and the university. The most ill-kept and littered of the Calgary area projects is currently under ligitation, allegedly for borrowing against the project and for raising rents without CMHC approval in contravention of the operating agreement.67

Three Calgary projects are operated as a charitable foundation, and they are exceptionally good. The buildings and grounds are well maintained, rents are kept low, and many tenants have lived in the project for an extended period of time. There are, however, indications that preference is given to older couples and single people. There was no evidence of toys or playgrounds, and only two respondents had children. In at least

67. A rental sign on the project premises listed the rent schedule of $235 to $245. (Rents do not include the cost of utilities.) These rents exceeded the rents approved by the local CMHC office. (Conversation with CMHC officials, Calgary, Sept.15, 1986)

one instance a single person lived in a two-bedroom unit. Although they must supply some of their own appliances and care for their lawns, tenants describe themselves as "very satisfied" with their housing and the management company that administers the trust.

6.2.5 BRITISH COLUMBIA

Apart from the Comox project leased by the Department of National Defense, most Limited Dividend projects in British Columbia were built after 1968. They are widely distributed across the Greater Vancouver region. Larger, centrally located buildings are both downtown and in the new and fashionable False Creek area, while townhouse units are in outlying municipalities like Richmond and Surrey.

The majority of the projects are in fair to excellent condition, and even the worst of them has a heated swimming pool. Problems in these buildings are related primarily to maintenance and repair. One project in Surrey is littered, and tenants complain of an infestation of silverfish in the hallways.[68] There, as in another Vancouver area building surveyed, tenants noted that repairs were done slowly, poorly, or not at all.

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68. One tenant who commented on the silverfish added that the landlord appeared to be doing all he could, and that the hallways had been fumigated repeatedly.

The projects located in the more prestigious districts of Vancouver, as in other parts of the country, charge rents that are likely to be unaffordable for low income tenants that fall within the maximum eligibility rate set by CMHC. It is doubtful, therefore, that these projects are appropriately financed under this program.

6.3 TENANTS' PARTICIPATION AND RESPONSE

Tenants' comments invariably suggested that they considered it essential for the authorities to have a better understanding of their housing conditions, costs and needs. On returning the questionnaire, many tenants in the worst projects expressed both frustration and the hope that the survey would "do some good."

6.3.1 TYPE OF FAMILY UNIT SERVED BY THE PROGRAM

Although the program was intended to serve primarily families, most Limited Dividend units are occupied by singles living alone or sharing with other single adults. Only slightly more than a third of those surveyed (38%) have children. Among them are single parents (13%), while 25% are two-parent families. About one-fifth of the tenants surveyed are over 55 years of age, and the majority have lived in their units for several years. In many cases, older couples occupy two or three bedroom units. Most live solely on their pensions, but a few also had some savings. Seniors generally expressed satisfaction with their housing.

Many of the single mothers interviewed in Halifax, Surrey and Montreal are unemployed and living on social assistance. The women expressed frustration with the difficulty of returning to the workforce and with what they saw as active discouragement when they wanted to take upgrading courses. The mother of a retarded child was told by a social worker that "it is better to stay home with the children." For her it meant not being able to move, although she would have liked to do so, because this was the only housing she could afford.

A single father from Calgary who shares a townhouse unit with another man in a similar position wrote, "With three kids under 12 we cannot afford anything higher [rent], but we would like to see some low cost housing that is a good place to raise our children." Both men reported incomes of under $10,000.

Similarly, a man from Halifax commented, "I think it could be of great importance, if the government examines housing in a realistic manner as to percentage of people's income paid out for housing." In his case, that percentage is at least 33%, or an annual rent of $5,400 out of an income of $10-15,000 a year. Before finding this apartment, he had shared a two bedroom bungalow at a monthly rent of $750, not including heat and utilities.

Of the few tenants who appeared to be aware that the federal government (through CMHC) has a role in their housing project, a couple from Winnipeg noted, "Considering this is government subsidized housing, I believe that the landlord here does as little as possible. It often takes months and repeated phone calls to get any maintenance... when it is done, it is not done properly."

A woman from the Vancouver area expressed a similar view. She, her husband and one child live on an income of under $10,000, and their rent is $5,400 annually. She wrote, "I feel that the government should look into these matters...there [are] too many unfair practices in renting... there should be some nice well-kept apartments for low income people. Why should they have to live in pig pens?"

The major sources of tenants' dissatisfaction are the cost and quality of their housing. In some instances, there is also the added frustration of not being able to find accommodation at all. And there is gratitude, when an apartment is found. A Toronto father of two children wrote, "I have been looking for an apartment everywhere in the city and finally found this..." He rates the building in which he lives as "poor" with respect to maintenance, snow removal, laundry room, playground, bathroom fixtures and tiles, windows and doors, and hot water. Although

he pays more than $400 rent out of an annual income of $10,000, he describes himself as satisfied with his apartment.

6.3.2 FAMILY INCOME

The great majority of the tenants who participated in the survey (92%) and all but one of those interviewed reported total family incomes of less than $30,000, and half of the respondents have annual incomes of under $15,000. This indicates that while there are some tenants who do not qualify for this type of housing, as CMHC administrators and landlords tend to suggest, most of the people living in this type housing are indeed low income earners.69

6.3.3 REASONS FOR APARTMENT CHOICE

For three-quarters (74%) of the tenants surveyed, the most important consideration for choosing their apartment was cost. Factors rated either important or very important were maintenance (85%), and the accessibility of shopping and other facilities (77%), public transit (71%), and schools (52%).

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69. For the opinion of one developer, Joseph Tenenbaum, see the Minutes: Standing Committee on Resources Development-Residential Rent Regulation Act. August 25, 1886, Afternoon Sitting, R19-20. Mr. Tenenbaum confirms his belief that many high income people are needlessly subsidized. He contends, however, that his LD tenants are indeed low income earners. (Interview, January 28, 1987)

6.3.4 MAINTENANCE

About a third of the buildings surveyed are rated by tenants as good with respect to such outside maintenance aspects as lighting, laundry rooms, lockers, hallways and stairs, elevators, and garbage disposal. In most instances, playground equipment is either rusty or non-existent. Interior maintenance problems include defective doors and windows, as well as leaky plumbing in kitchens and bathrooms. In some buildings, walls and ceilings are cracked or stained. Most closets are small, and in some instances they have no doors. Many tenants also find their flooring inadequate, and some have installed their own carpeting. Similarly, many tenants report taking responsibility for their own painting and minor repairs.

6.3.5 TENANT SATISFACTION

About one-third (32%) of the tenants surveyed were very satisfied with their housing, and an additional 45% were at least satisfied. Areas of concern focus primarily on maintenance related issues. Security (65%), maintenance and repairs (61%), and noise (61%) are identified are problem more often than rent increases of dealings with the landlord or superintendent. About a third of the tenants surveyed (36%) described their units as "the best I can afford", and only one in ten (11%) is planning to buy a house.

6.3.7 SUMMARY

Most of the projects surveyed are in relatively good condition, and apart from Toronto and Montreal, unsatisfactory projects appear to be the exception rather than the norm. The tenant population is relatively stable. Half of those surveyed have lived in their units for more than three years, and one-quarter indicate a relatively high degree of efficacy and community participation.

The majority of tenants in the projects surveyed are low to modest income earners, and one in four might qualify for public housing, while one-fifth reported incomes in excess of $25,000 per annum. The data indicates that the loss of these units would create a demand for as many as 15,000 public and 33,000 moderate income units. It is essential, therefore, that new policies be developed to address present and anticipated difficulties.

CHAPTER 7

RECOMMENDATIONS

The research into this housing program was prompted by the deterioration of the housing built under this program, the lack of policy-oriented information to legal services and tenants, the resultant ineffectiveness of efforts to improve living conditions in these buildings, and the apparent lack of government policy to prevent the loss of these units to the low income housing market.

At the present time, limited dividend housing fills a definite need, both for tenants from the lowest income group who would qualify for fully subsized public housing units, and for those whose income is moderately higher, but not sufficiently high to make market rents affordable. For many tenants, however, the program does not fill that need very effectively. Many of the present tenants would qualify for public housing, many whose incomes are only marginally above public housing income limits need low income housing, and many more are on lengthy waiting lists for fully subsidized public housing units, confirmation of the ongoing and growing need for low cost accommodation.70

Limited dividend housing has produced projects characterized by the following problems: high rents, poor maintenance and repair, long term insecurity of tenure through the conversion or

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70. On February 1, 1987, the Sunday Star reported that at least 8,000 families or 27,000 people are presently on waiting lists for public housing in Metropolitan Toronto alone.

demolition of many of these units, or a combination of these. The government, through CMHC, has the legal right and the social responsibility to undertake fundamental changes of limited dividend (Section 15) policies, since the flaws of this program were known from its inception, and since numerous observers recommended against its implementation. Nevertheless, almost $1.3 billion (in current dollars) of direct federal funding has been invested in the program. Additional funds have been spent on interest rate subsidies, losses incurred through a 21.8% default rate, and administrative costs.

By virtue of the monies expended, this program represents a major social investment for Canadian taxpayers. It was not a sound investment. Although the contract between private owners and CMHC permits supervision of limited dividend projects, inadequate enforcement of the operating agreement has allowed many buildings to deteriorate and rents to be raised to unjustifiable levels, given the substantial benefits landlords have received. The benefits offered to owners have taken a variety of forms:

1. Reduced capital expenditures:

(a) Interest rate subsidies for limited dividend housing were increased from an initial 80% of capital cost in 1919 to 90% in 1944, and finally in 1969, to 95% of total project cost, combined

with an assumed equity of 5%. In effect, between 1969 and 1975, owners invested no private funds in these projects.

(b) Full lending was extended on the basis of estimates alone. Post-completion control was removed in 1969, and owners no longer had to account for the real cost of the projects. This permitted owners to profit by saving on building costs.

2. Reduced operating costs:

(a) The amortization period for fixed rate preferential mortgages was extended from 20 years in 1919 to 30 to 50 years in 1944. This reduced monthly carrying costs substantially, particularly during periods of high interest rates.

(b) The requirement for contingency funds for major maintenance and repair costs was waived. This has freed up investment capital for owners, and some now have to apply for additional funding to finance renovations and essential repairs. Consequently, such expenditures are financed through rents which must be paid by current and future tenants.

(c) Annual maintenance inspections were reduced to once every two years, and in some cases they have not been carried out in several years. While this may have allowed owners to reduce maintenance costs, it has led to the deterioration of buildings.

3. Increased revenues:

(a) Submission of financial statements and enforcement of operating agreements has been sporadic, and consequently the rent levels of some projects have been increased unchecked.

(b) Prepayment options were offered to owners of both pre- and post-1968 buildings. These permit the raising of rents to market levels, and for low income tenants this can result in de facto economic evictions as soon as the mortgage is discharged.

(c) The contractual obligation to maintain the "low income character of the building" was reduced from the full term of the amortization period to allow buy-out after 15 years. This has led to the creation of somewhat higher quality buildings, but it has contributed to higher building costs, higher rent levels, and the prospect of conversion to market housing.

(d) Provincial rent review provisions do not exempt limited dividend (Section 15) buildings, and therefore owners have been able to impose rent increases without the approval of CMHC.

The concept of limited dividend housing has never succeeded in achieving a balance of both satisfactory low income housing and a profit for owners. After 1975, however, there has been a notable lack of commitment to low income provisions of the program in favour of the profitability of these projects.

Administrative changes introduced in the subsequent ten years have increased the conflict between the housing needs of low income earners and the interests of private developers, and they have thereby exacerbated the program's inherent shortcomings.

Many of the problems found in these buildings had already been identified by Dennis and Fish (1972:10). Underutilization of units and 'creaming out' of tenants is very common, income limits have been increased to include the second quintile income group, and heavy-handed management practices continue to prevail in some buildings. In addition, many owners maximize the profitability of their buildings by reductions in general repair and routine maintenance, problems that appear to be particularly common in projects that have changed ownership. On the other hand, some conditions have improved. Several of the newer projects are well located and maintained. Many previously marginal locations have been absorbed by urban growth and development. Unfortunately, that makes the projects more desirable for redevelopment or conversion to market housing.

Older units in particular serve a very low income population. In many of these buildings, rents are well below market levels, but maintenance is frequently poor. Other projects are good, but rents are only marginally below market levels, and they serve a predominantly moderate to middle income population. Only a few buildings across the country meet the

program's stated objective of providing good, affordable housing for low to modest income earners. Most serious, however, is the fact that many of these projects have already been converted to market rental housing, and many more are likely to be converted in the next decade. These findings suggest a need for both long and short term policy changes.

RECOMMENDATIONS

1 MEASURES TO IMPROVE RENT AND MAINTENANCE REGULATION

1.1 Inadequate maintenance and repair not only affect the quality of life in some projects, they also contribute to the deterioration of buildings and jeopardize the security of the loan extended to the owner.

CMHC should make all rent increases contingent on substantial **compliance with municipal building standards, and owners should** provide proof that there are no outstanding work orders for maintenance and repair problems at the time of a request for a **rent increase. Maintenance inspections should be made annually.**

1.2 The survey of a cross-section of tenants and limited dividend projects has indicated that some buildings are poorly maintained, repairs are carried out slowly, poorly or not at all, managed in a heavy handed manner, and subject to illegal rent increases.71

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71. Questionable management practices include such measures as restrictions in the use of the recreation room and the elevators.

In order to determine the extent of such problems, CMHC should undertake a survey of tenants and buildings to determine income and rent levels, rental policies, general standards of maintenance and repair, and management practices.

.3 The survey has revealed that there are some instances of unapproved rent increases.

CMHC should roll back all unapproved rent increases.

.4 Many of the buildings surveyed which showed evidence of neglect and in which tenants reported frequent or high rent increases were buildings which had changed ownership one or more times since construction.

CMHC should review rent increases and maintenance conditions in buildings which have changed ownership to determine if refinancing costs arising from the sale are being recovered by a combination of cost savings in maintenance and rent increase

.5 Since the mid-1970s, administrative problems have resulted in the often inadequate enforcement of the operating agreement, and many owners have stopped submitting financial statements. This breach of contract negated CMHC's ability to enforce the operating agreement effectively.

CMHC should notify all owners of the contractual requirement to submit annual financial statements, and to institute legal action in cases of non-compliance.

1.6 While major violations of the operating agreement are the exception rather than the rule in most parts of the country, problem buildings are more common in the Greater Montreal and Toronto areas.

The Montreal and Toronto area portions of the limited dividend portfolio should be completely reviewed with respect to compliance with the terms of the operating agreement, including general and in-suite maintenance and repair, and rent guidelines.

1.7 Present CMHC regulations discourage the participation of administrators at rent review hearings except in an informal, consultative role. This regulation limits the ability of rent review officers to make an informed decision regarding appropriate rent levels in limited dividend buildings.

Until federal-provincial negotiations achieve exemptions of limited dividend units from rent review, CMHC regulations should be amended to encourage the active participation of CMHC staff at rent review hearings involving limited dividend buildings.

..8 Many tenants are unaware of the role and responsibility of CMHC in the administration of limited dividend projects, and they are therefore unable to contact the local CMHC office for assistance.

The address and telephone number of the responsible CMHC branch should be posted in the lobby of all limited dividend buildings.

MEASURES TO PROTECT THE LOW INCOME HOUSING STOCK

.1 Although eviction of tenants who exceed the maximum income limits has been deemed unenforceable, the enforcement of incoming income limits is consistent with the legislative intent of the program.

Incoming income levels for new tenants should be enforced, and evidence of such income checks should be made available to CMHC at the time of submission of the annual financial statement.

.2 Although enforcement and control vary from region to region, rent levels in most areas are relatively high. For tenants in Toronto and Montreal, this type of housing represents an annual net benefit of only $120 to $180 in rent savings per year, while in other regions the savings may range up to $360 annually.

The differential between limited dividend and market rents should be increased to reflect the substantial interest rate and tax shelter subsidization received by owners.

2.3 Unlike most other publicly financed programs, limited dividend units are not exempt from provincial rent review legislation, a factor which undermines CMHC's control over rents. Since owners are also contractually obligated to obtain the approval of CMHC for rent increases, they must in effect report to two different government agencies.

In all provinces which have rent review legislation, CMHC should negotiate the exemption of limited dividend units.

2.4 One of the major difficulties tenants, lawyers and legal clinics experience in dealing with issues related to limited dividend housing is the lack of published information of policy and administrative changes as they are introduced.

A summary of significant regulatory changes affecting the limited dividend (Section 15) program should be announced in the Canada Gazette and made available to tenants or their representatives on request.

2.5 With the exception of a recently converted project in St. John's, Nfld., it has been CMHC's policy to sell projects repossessed because of mortgage default on the open market, generally at a financial loss.

In order to protect the existing low income housing stock, CMHC should discontinue the practice of selling repossessed projects. In addition, CMHC should purchase any competitively priced limited dividend projects. Such buildings should be converted into non-profit co-operatives.

2.6 The Accelerated Prepayment Option introduced in 1985 offers owners the opportunity of buying out of the operating agreement prior to the expiry of the contract. While some of these projects do not serve a low or moderate income population, the general implementation of this option implies the premature loss of low income housing units.

CMHC should place a moratorium on the Accelerated Prepayment Option until a survey of rents, incomes, and housing market conditions are established. Prepayment should be made available only for owners of high rent and high income buildings.

2.7 The loss of low income housing units may have a significant impact on the demand for public housing units, and provincial ministries will require a substantial lead time to prepare for the loss and replacement of these units.

CMHC should survey of owners and administrators to assess number of expected buy-outs and notify provincial housing ministries of the anticipated need for replacement units.

2.8 Recent administrative changes and computerization should contribute to the identification of problem projects and improve inventory measurement. These measures offer the possibility of greater uniformity in the administration of the limited dividend portfolio and the enforcement of the operating agreement.

CMHC should continue to streamline enforcement and control, and develop long-term inventory projections to assist provincial governments in the identification of anticipated low income housing needs arising from the loss of these units.

2.9 The majority of administrative difficulties of limited dividend housing, control of rents and maintenance levels, arise from the cross-cutting of jurisdictions of three levels of government, and from the lack of inter-jurisdictional negotiation and co-operation.

Federal lending for all future social housing programs should be made available to non-profit groups only, and it should be contingent on shared-cost agreements with provincial and municipal governments in order to give all levels of government a stake in the satisfactory management of buildings and rents.
While it is not recommended that public financing for the provision of low income housing units be extended to private owners, it is expected that such programs will, nevertheless, be reintroduced. In the event that similar programs are undertaken,

financing agencies should retain an option to purchase in the case of a sale. Because large rent increases usually arise from capital expenditures, a contingency fund requirement should be reinstated, and a tendering clause for major capital expenditures should be made mandatory for all publicly funded housing programs.

It is not expected that the implementation of any or all of these recommendations will resolve all of the difficulties associated with the limited dividend program. While problems of maintenance and unapproved rent increases may be alleviated, the most important issue, that of the potential loss of a large number of these units to the social housing market remains, because the terms of the operating agreement of post-1969 buildings offer no viable alternatives to prevent an owner from exercising the buy-out option.

CHAPTER 8

SUMMARY AND CONCLUSIONS

The concept of limited dividend housing has enjoyed a completely unwarranted popularity with Canadian governments for more than 60 years. Although its value as a social housing policy has always been doubtful, the changes introduced in 1969 raise serious doubts about its redistributive properties. Apart from its success and its failures, however, limited dividend housing has filled a significant role in the development of Canadian social housing policy.

While other industrialized countries instituted and improved various concepts to meet a range of housing needs, Canada relied primarily on the private market and on the limited dividend program, and until 1964, no significant efforts were made to diversify social housing policies.72 Nevertheless, the development of social housing policy cannot be attributed solely to perceptual or ideological factors. Equally important may be the fact that the British North America Act delegated the control over housing policy to provincial governments except in case of a national emergency. Thus the federal government could stimulate housing initiatives by making funding available, but the responsibility for program implementation rested with the

72. Although public housing was introduced in 1948, only 11,000 units were built between 1949 and 1963.

provinces or individual private builders. Where provincial response lagged behind anticipated housing need, federal governments may have found it simpler and more effective to stimulate the private sector. In addition, almost every social housing initiative undertaken in this country in the past eighty years has proven to be flawed. Public housing projects, first introduced in the 1940s, were underfunded and ill-conceived, and they deteriorated into low income ghettos. As a result no new public housing projects have been built since 1976. Attempts to provide private ownership for low income earners through the Home Ownership Made Easy (HOME) program resulted in serious financial hardship for many buyers as a result of uncontrolled interest rates. The more successful private and municipal non-profit housing projects and the co-operative housing sector have been criticized for subsidizing middle-income earners, while providing only a relatively small number of subsidized units for the poor. Similarly, the limited dividend program has been beset by a variety of problems. These problems were accentuated and repeated in its successor programs, the Assisted Rental Program (ARP) and the Canada Rental Supply Program (CRSP), and it may be expected that provincial initiatives, such as Ontario's Renterprise Program, will be similarly unsatisfactory.

Although the evident shortcomings of previous social housing programs may account for the private market bias of current housing expenditure trends, they do not suffice. The shift

indicates that planners and policy makers share to some extent the pervasive assumption that, sooner or later, everyone will be able to own a home. Moreover, the shift in financial commitments has contributed to the deterioration of limited dividend projects which have always required close supervision. As a result, a growing number of units for low and moderate income earners are deteriorating. Many of these units have been, and will continue to be, lost to demolition and conversion.

The development and longevity of Canada's first social housing effort was not an unfortunate error compounded by insufficient information, lack of policy alternatives or inadequate evaluations. It was not a miscalculation implemented by well-meaning governments. It was a policy consciously formulated and rationally pursued as long as the complex set of social, economic and political benefits arising from it seemed to outweigh its cost (Boswell:1976:45). Copp (1974), Bacher (1986), Hulchanski (1986), and Wade (1986) suggest that Canadian housing policy was based on a strong belief in the private market, and on an equally strong distaste for direct government intervention and subsidization. While this may be partly true, the factors that have contributed to the formulation of Canadian housing policies appear to be much more complex.

The great majority of social housing policy reviews have shown that the concept of limited dividend housing has had

serious shortcomings from its inception. The reports invariably stressed the success of co-operative housing experiments and urged support for it and the introduction of public housing. These findings and recommendations notwithstanding, successive Canadian governments have introduced and expanded limited dividend housing programs. Various housing initiatives suggest that one of the major objectives of successive governments was not so much the provision of low income housing, but the stimulation of the construction industry and of the economy in general, and the private development industry could respond most readily to federal housing appropriations.

As it became increasingly apparent that the unaided private sector would not fill low income housing needs, additional incentives were introduced to make the program a more attractive investment. As a consequence, the final, entrepreneurial version of the program bore only faint resemblance to the original concept. The search for publicly spirited citizens who would provide affordable housing was abandoned in the 1950's. Participating builders were attracted by the financial gains to be realized through long-term preferential interest rates, tax shelters, depreciation allowances, land sale and construction profits, management fees, and the opportunity to build an equity without investment. Finally, the contractual agreement that designates the buildings as low to middle income rental units could be ended after 15 years, should favourable financing

conditions make this a viable option. The legislation thus implicitly abandoned the creation of low income housing units in favour of housing starts as its primary objective. Nearly 90,000 housing units were created under Sections 16 and 15 since 1945. In that sense, the program has been successful.

Calculations based on CMHC's regulations show that limited dividend rents range between $120 and $180 in Toronto and Montreal, and up to $360 below market rents annually in other regions. It may be argued that the relatively high project rents should not be considered a serious criticism, since the program was never intended to serve the poor. Fallis (1985:170) notes that between 1957 and the mid-1970s subsidization through mortgage lending (such as that extended under Section 15) was not aimed at the poorest households. This is true in the sense that throughout the active periods of the program "low income" was not defined as income per se or as, for example, the lowest quintile income group. Instead, low income was defined in terms of the rent-to-income ratio.73 The ratio was based on the rents charged, and not on the tenant's family size or ability to pay. Nevertheless, the stated purpose of all limited dividend legislation was the provision of "low income housing". The 1954 amendment of the NHA defined a family of low income as one whose income is "insufficient to rent market housing". Not until 1973

73. Initially, a family of low income was one which spent 20% of its income on rent (1919), and that percentage was later (1944) raised to 25%.

was the term redefined by CMHC directive as a "medium-income, controlled rent program" (CMHC: 1973:4-5:340-1). Indeed, both the Toronto Planning Council and Dennis and Fish found that the program served many who would otherwise qualify for public housing. The 1986-87 survey confirmed that many of the lowest income groups continue to rely on this type of housing for want of access to more affordable accommodation.

A combination of internal and external factors effectively negated CMHC's ability to enforce the operating agreement consistently. Since the mid-1970s, the waning commitment of the federal government to the low income provisions of this program have resulted in the often inadequate enforcement of the operating agreement. As problems multiplied, and rent review systems were imposed, many owners stopped submitting financial statements. The impact of these developments was greatest in centres of high volume building activity, Toronto and Montreal. Consequently, whereas major shortcomings are the exception rather than the rule in most parts of the country, problems are more common in the Greater Montreal and Toronto areas.

This paper has sought to demonstrate that this situation is the culmination of an incremental policy-making process of a type of program considered to be a failure internationally before it was adopted as a major component of federal social housing policy. As early as 1907, Kaufman cited reports of financial

failures, intrusive management practices, and rent levels too high to serve the poor. High rent levels, financial problems and careful tenant selection also characterized the Toronto Housing Company. Nevertheless, the federal government introduced a limited dividend program as part of its post-war low income housing effort in 1919. A census monograph in 1941 declared the experiment a dismal failure. The Advisory Committee on Reconstruction, 1944, suggested that it should serve as a warning in the formulation of a new post-war housing policy. Experience and warning notwithstanding, a limited dividend program became the only form of social housing incorporated in the National Housing Acts of 1938 and 1944.

In the mid-1960s CMHC had accumulated sufficient evidence of problems to impose severe lending restrictions, and thus to curtail the program. In 1969, after an admittedly hasty study of Canada's housing policies, the Hellyer Task Force removed the onerous restrictions and initiated a six-year, one-half-billion-dollar spending boom under a revised program. When the program was finally discontinued in 1975, one-quarter billion dollars of approved funds still had to be spent. Existing projects subject to different (pre-and post-1968) regulations, completions of new projects, late construction starts, and defaults created a constant flux in the Limited Dividend (Section 15) portfolio, and this general confusion was further aggravated by CMHC's method of recording these inventories. Only thirteen CMHC staff members

were assigned to administer the program across Canada. As problems multiplied, and rent review systems were imposed, many owners stopped submitting financial statements, an action that effectively negated CMHC's ability to enforce the operating agreement. As a result of these difficulties, the Corporation sought to withdraw from the enforcement of the operating agreement.

It was the purpose of this paper to identify the legislative and regulatory changes that account for current conditions in Limited Dividend/Entrepreneurial Housing, and it has been demonstrated that the present situation is the cumulative effect of several decades of decision-making. The outcome of these policies has been outlined in Chapter 6. No attempt has been made to account for the decisions. Copp (1974), Bacher (1986), Hulchanski (1986), and Wade (1986) suggest that these policies were based on a strong belief in the private housing market, and on an equally strong distaste for direct government intervention and subsidization. The recommendations of the Hellyer Task Force would appear to bear them out.

The problem was not so much the initial intent of the legislation as the belief in the filtering down process that would make more acceptable accommodation available for the lowest income earners. On this assumption, the greater the housing stock created, the higher the vacancy rate, and the more

acceptable the accommodation of the poorest. While some observers (Moscovitch:1981:314-381) dismiss the concept of filtering down outright, it must be acknowledged that some filtering does occur, and that an increase in the reasonably priced housing stock will necessarily lead to an improvement in general housing conditions by relieving pressures on the worst and cheapest accommodation. The problem with Canadian social housing policy is not so much the faith placed in the efficacy of filtering down, but in the fact that for all but twelve years (1964-1976) this concept has dominated the housing policies of successive Canadian governments.

At the end of both World Wars, this belief coincided with a reluctance to face the reality of social inequalities, the perception that the provision of housing might be undertaken by publicly spirited citizens as a philanthropic gesture, and a high rate of population growth resulting from immigration and family formations of post-war generations. These factors created a significant demand for new housing. In addition to the acknowledged job creation potential of a stimulated construction industry, decision makers opted for a policy that appeared to meet low income housing need without direct intervention and subsidization.

The central problem in the provision of decent, affordable housing for Canadians lies in the continuing self-perception of

landlords as participants or would-be participants in a free market, and not as providers of an essential good - a view perpetuated by governments which are reluctant to acknowledge their responsibility in controlling the housing market. Public intervention in the private marketplace has many established precedents where the goods and services provided are the product of a natural monopoly, or where they are essential to the health and wellbeing of the community.[74] Perhaps because their societies are more structured and stable, European governments have long accepted this reality, while Canadian governments tend to minimize their intervention in the private housing market. Under ideal circumstances, the private sector may indeed be able to provide affordable and satisfactory housing for the growing number of Canadians who are unable to buy their own homes, but such an outcome is unlikely.

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74. Many other privately owned suppliers of consumer goods are similarly regulated. Among them are energy (oil, hydro, natural gas), food (marketing boards and price supports), communications (CRTC), and transportation (Transport Canada).

APPENDIX 1

ILLUSTRATIONS

Fig. 1

Fig. 2

Fig. 3

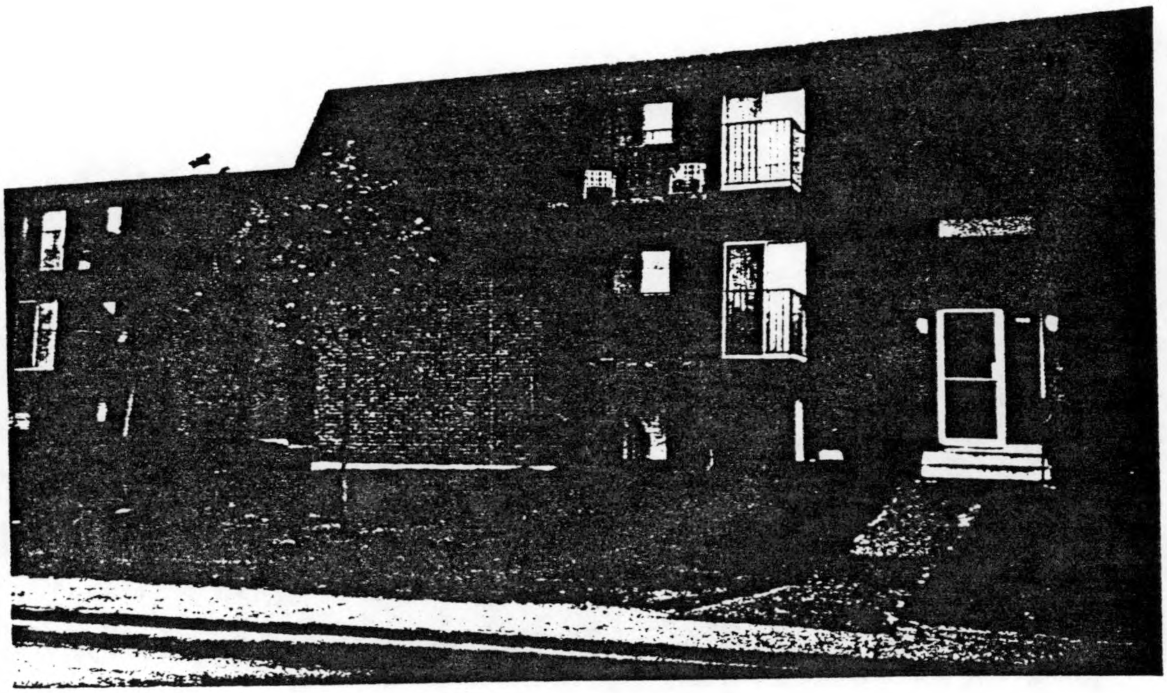

Fig. 4

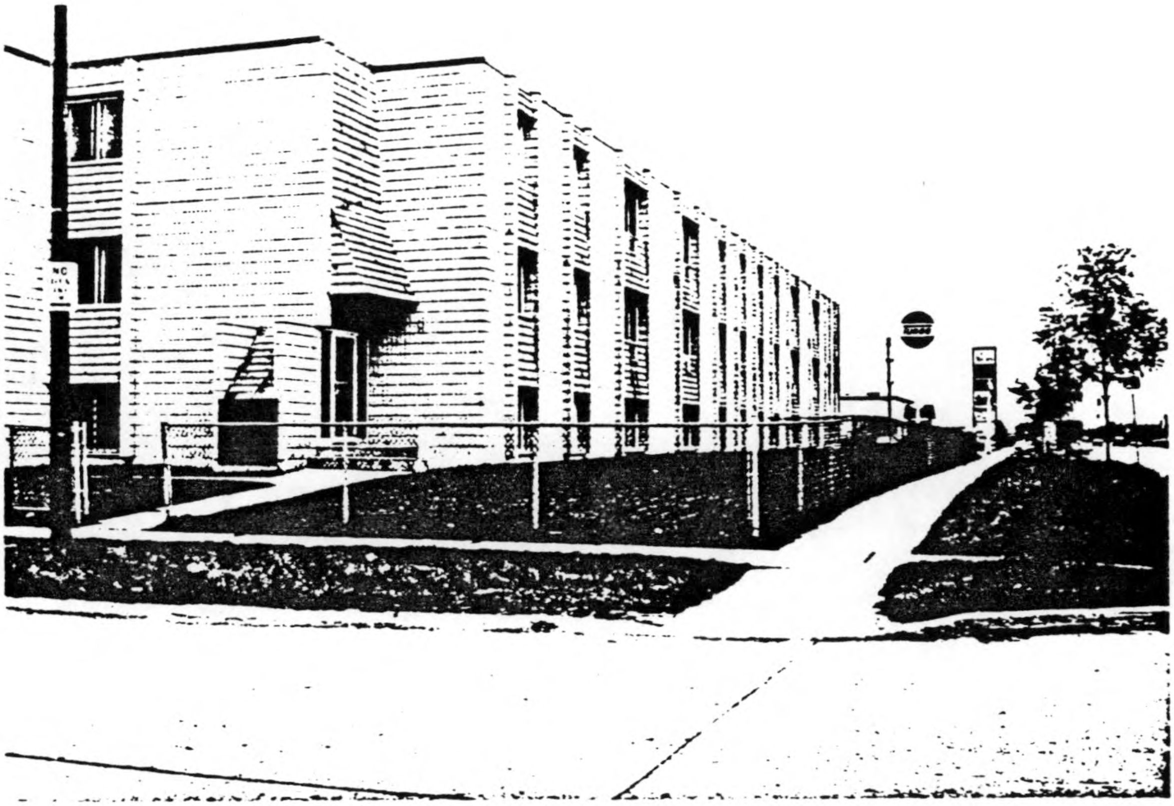

Fig. 5

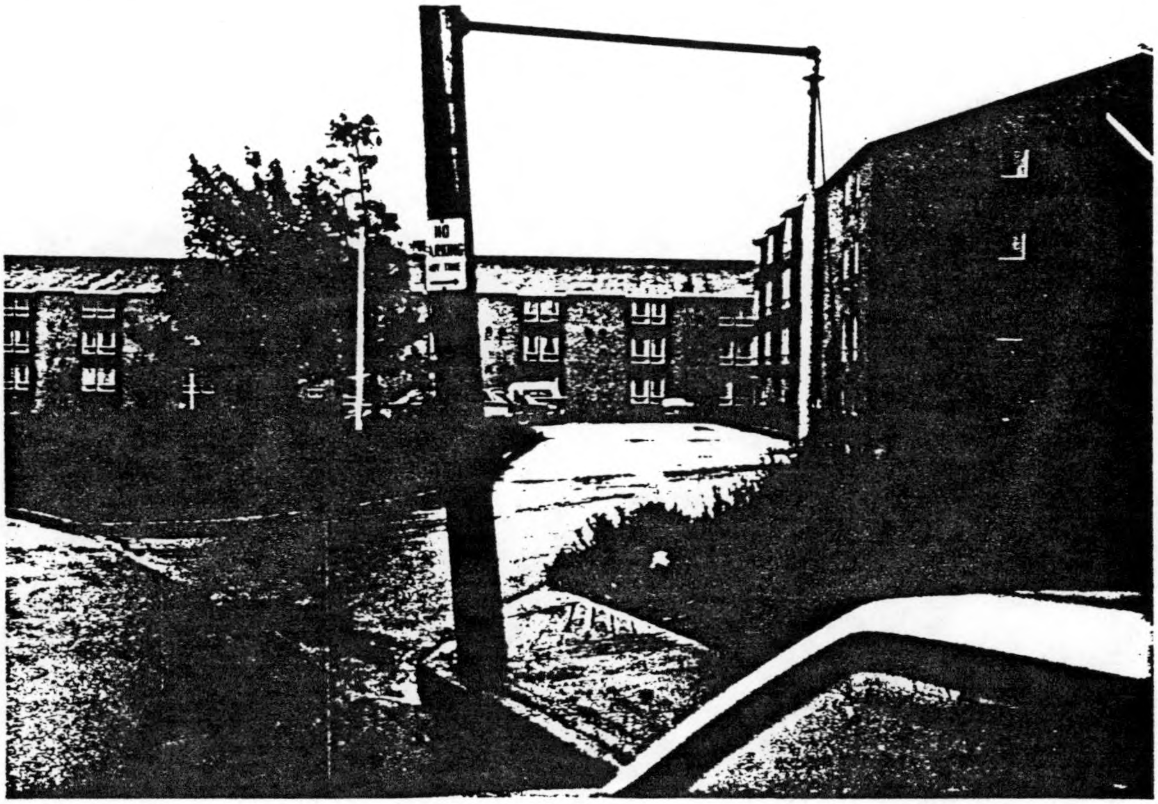

Fig. 6

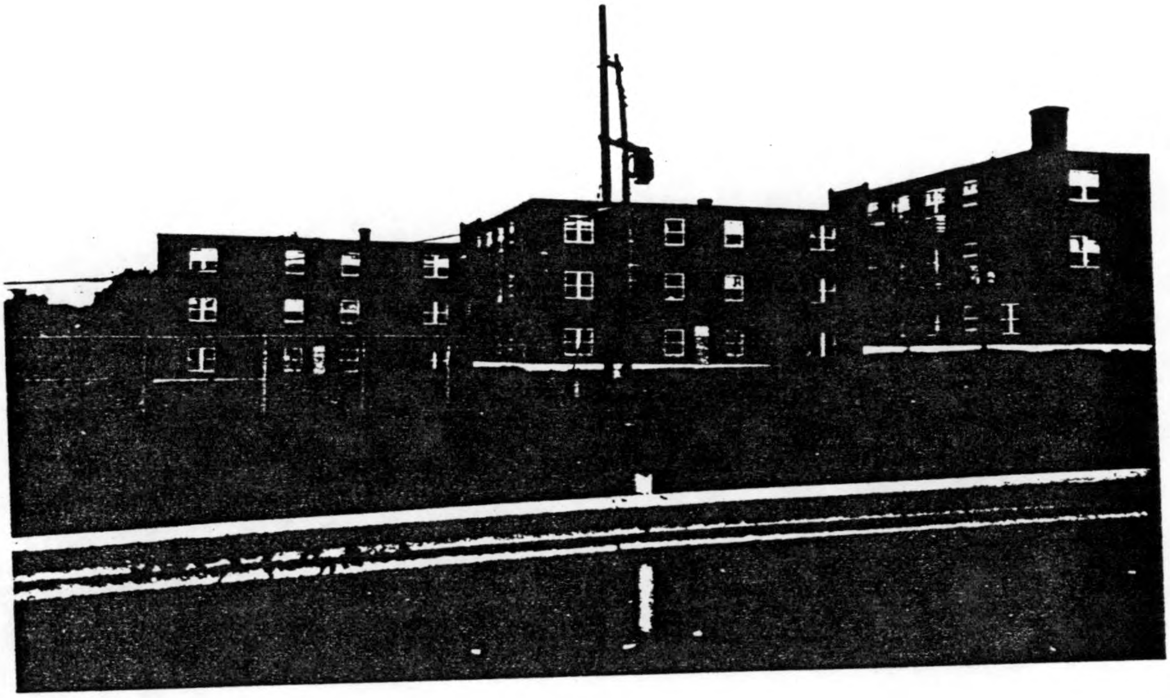

Fig. 7

Fig. 8

Fig.

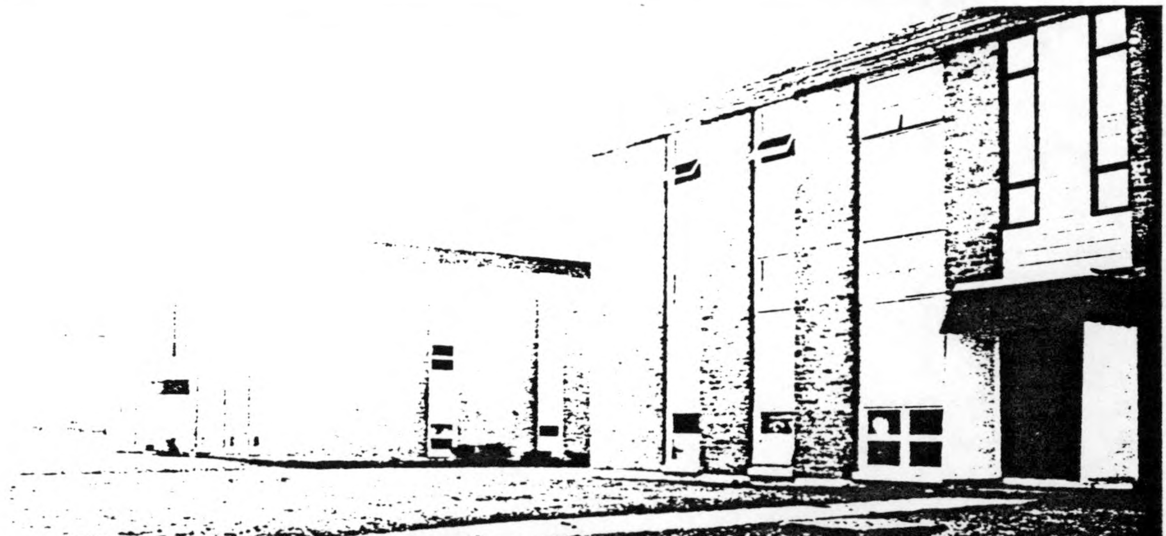

Fig. 10

Fig. 11

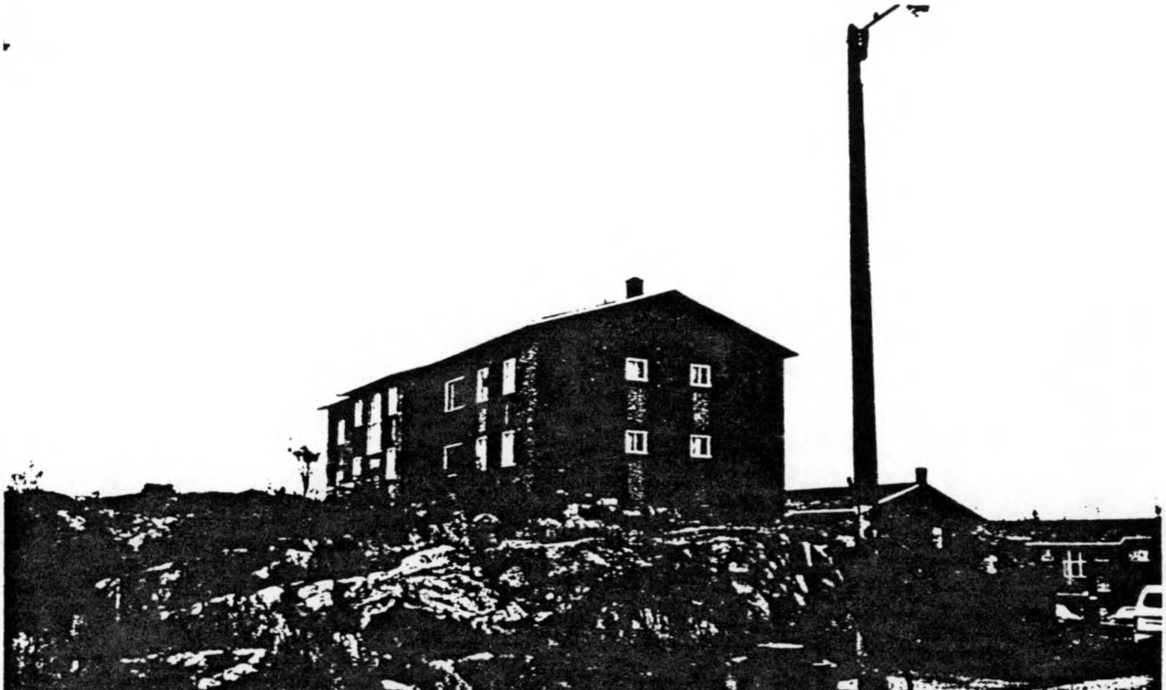

Fig. 12

Fig. 13

Fig. 14

Fig. 15

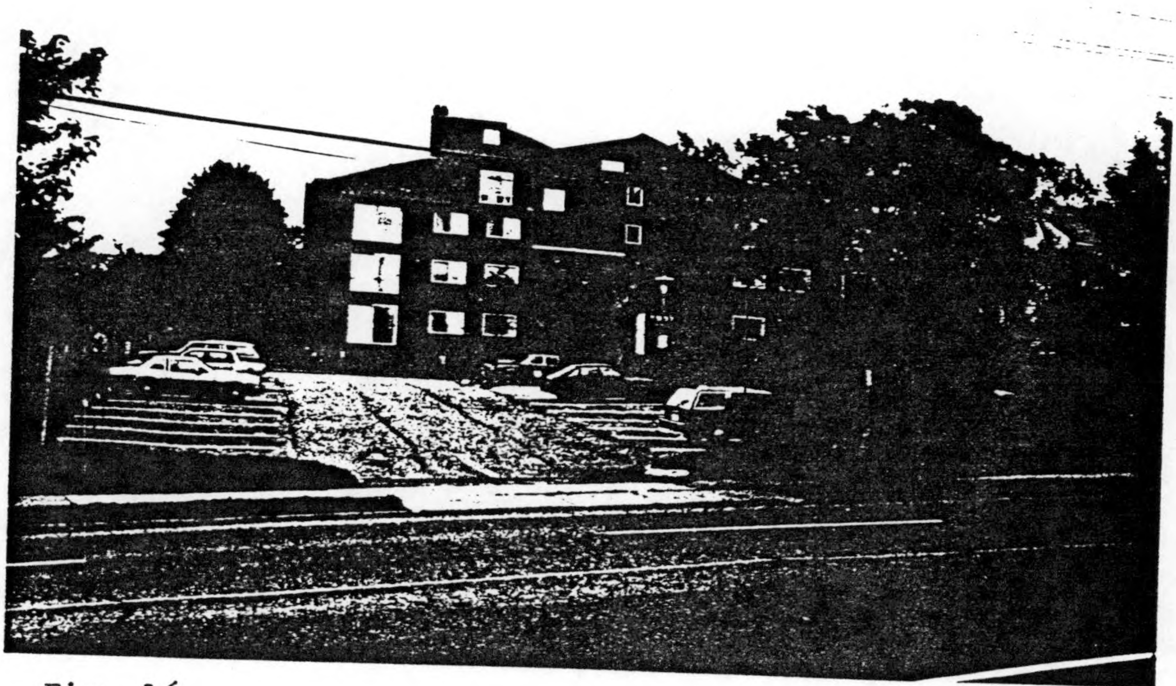

Fig. 16

APPENDIX 2: SURVEY DESIGN

A. METHODOLOGY

A self-administered door-to-door survey of Limited Dividend tenants was conducted in eight Canadian communities between September and mid-October 1986. Projects in Metropolitan Toronto were surveyed in January, 1987. Each resident was contacted only once, and a total of 132 (33%) out of a possible 400 surveys were received. Of these, 80 surveys were completed at the door, and 52 were received by mail. The questionnaires were supplemented with 25 unstructured tenant interviews, and with visits to a total of 125 projects. The purpose of the survey was to ascertain the conditions that prevail in pre- and post-1968 Limited Dividend housing projects across Canada, partly in order to project the number of units that may be lost to the low income housing market by demolition or by conversion to market rental units.

SURVEY DESIGN

The questionnaire was developed with the assistance of Prof. J. Fletcher, University of Toronto. It was based in part on a maintenance questionnaire developed by Scarborough Community Legal Service, a similar study conducted in Scarborough, Ontario (1983-84), and on efficacy and participation scales adapted from Carroll (1982). The questionnaire was translated into French with the assistance of Janine Charland, Faculty of Environmental Studies, York University, and Professor Marie-Odile Trepanier, University of Montreal.

Based on the number and distribution of Limited Dividend housing units across the country, the sample size consists of 400 surveys. 300 questionnaires were distributed equally in the Prairies, Ontario, and Quebec, and 50 were distributed in British Columbia and the Maritimes respectively.

Since there are some important differences in the contractual conditions pertaining to pre- and post-1968 projects, 50 of the questionnaires were distributed in each type of project in each region, except in British Columbia and the Maritimes where there are too few pre-1968 projects to provide a significant sample. Within each building, a questionnaire was distributed to 10% of the units in each building.

Within each of the buildings chosen for the survey, a number between one and five was chosen randomly, and that and each fifth subsequent tenant was approached to fill out a questionnaire. Where there was no response at the door, the tenant received a questionnaire, a handwritten request for a response, and a stamped, self-addressed envelope for mail-back.

Since time constraints and a low anticipated response rate for mail surveys indicated that a statistically significant sample might not be obtained, at least two supplementary in-home interviews were conducted from within the group of tenants in the sample.

The interviews were unstructured, and the objective was to determine the tenants' housing satisfaction, sources of income, living conditions, and interaction with other tenants and with the owner/superintendent of the building, in order to ascertain if the project was serving the target population, and the extent to which it met tenants' housing needs and program objectives.

In order to supplement the small number of projects in each city sampled directly, an attempt was made to make an external survey of the majority of the projects in each city.75 Where weather and light conditions permitted, photographs were taken of the project and the surrounding community, and notes were kept of the general external and/or internal maintenance standards, the distance from the city centre, the type of surrounding community, and the accessibility of public transportation, shopping, and other community facilities.

SAMPLING

The sampling strategy used in this survey was based on the methodology suggested by Dr. G. Mason, Institute for Social and Economic Research, University of Manitoba. The cities chosen for the survey represent the five economic regions of Canada: British Columbia, the Prairies, Ontario, Quebec, and the Maritimes. The cities surveyed included Vancouver, Calgary, Winnipeg, Toronto, Montreal, Halifax, and St. John's, Nfld. These were selected, because they represent a regional cross-section of the country, and because they have a larger distribution of Limited Dividend housing projects than surrounding communities.

The projects surveyed were selected from the regional Limited Dividend portfolio of CMHC by administrative officers. This was intended to eliminate any possible negative bias that might suggest itself if the projects were chosen randomly from the project list. Preferably, the projects would be approximately in the same geographic area of each city to make multiple visits to each building possible.

The sampling method raised two difficulties, in that it introduced a positive bias on the part of some administrative personnel, and in that it restricted the potential sampling to a specific neighbourhood. Additional problems arose in cities where projects were scattered throughout the entire community, or where few examples of each of pre- and post-1968 buildings exist in particular neighbourhoods.

Because a visual, external survey of the buildings confirmed the positive bias of CMHC personnel (with the exception of Halifax), one 'problem' project was also included among those surveyed. A visual external survey included such features as general maintenance of the building, doors, windows, balconies,

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75. In addition to the cities in which questionnaires were distributed, external surveys were conducted in St. John, N.B. Hamilton, Ont., and Sydney, N.S.

paint, parking facilities, walkways, and landscaping. 'Problem' projects were chosen partly on the basis of conversations with CMHC officials, and partly on the basis of external surveys. Although a sampling of one poorly-run project was included in each locality, the bias in the survey would tend to reflect the more positive, well-run projects.

The implementation of this survey presented a number of difficulties. In British Columbia and the Maritimes, there were insufficient pre-1968 projects to permit adequate sampling, since two projects had bought out of the program since the spring of 1986, and since two others were only nominally under CMHC jurisdiction, because they are leased and administered by Department of National Defence (DND) personnel. This effectively decreased the number of units to be surveyed in each of these two regions by 50. The potential number of surveys to be obtained was therefore reduced to 400.

Further problems arose in that at least one day had to be scheduled for orientation and meetings in each city, and in that the projects were relatively dispersed throughout each community. With few exceptions, post-1968 projects in particular tend to be located in outlying parts of suburban areas. Consequently, only one visit to each project was possible in the time available. Therefore only some of the surveys could be carried out during the optimum hours between 5 and 8 p.m., while many were conducted during the late afternoon. This factor had a major negative impact on the response rate, because many of the tenants were not at home. A building in the False Creek area in Vancouver was inaccessible except for the ground floor.76

For financial reasons, the maximum time allotted for the survey outside of Ontario was 40 days. Included in this time schedule were driving time (17,500 km) and meetings with CMHC officials in Vancouver, Calgary, Winnipeg, Montreal, St. John, N.B., Halifax, St. John's, Nfld., and Ottawa. Meetings with administrative personnel in Toronto were scheduled subsequently. Communities surveyed include Vancouver, Richmond and Surrey, B.C., Calgary, Winnipeg, Metropolitan Toronto, Hamilton, Montreal, St. John, Halifax, Dartmouth, Sydney, and St. John's.

Although there are a number of Limited Dividend projects in smaller communities in most provinces, these projects were not included in the survey.77 The exclusion of these projects was based in part on the need to limit the scope of the survey, and in part on the emphasis on regional rather than local trends and

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76. Questionnaires and self-addressed envelopes were mailed to each of the tenants in the building. One tenant was reached at the door, and one questionnaire was received by mail.

77. Prince Edward Island is the only province which has no limited dividend projects. Although there are projects in both small and large communities, the preponderance of these is in larger urban centres.

conditions. This sampling approach reflects the actual distribution of projects in relation to community size.

RESPONSES

The number of tenants contacted at the door was limited by time constraints. Direct contact response rates in British Columbia and Calgary areas ranged from 80 to 90%, while in Winnipeg, Montreal, and St. John's only two potential respondents refused to participate (both on the grounds that they had just completed a housing survey that had extended over several months). Requests for mail-back were left with each of the respondents not reached at the door.

The number of responses (39) from Quebec and the Maritimes was relatively small. Although direct contact responses were very high, there were too few mail-back responses from Quebec and the Maritimes to provide an adequate sample. Therefore no regional comparisons were undertaken. The data obtained is used in conjunction with interviews additional qualitative data gathered during the survey.

Mail-back responses were received from all parts of the country. Several tenants indicated strong support for the survey and for housing-related research. This may account in part for the overall response rate and the relatively high number of mailed responses.

B: QUESTIONNAIRE

Doris M. Schwar
1503-4 Assiniboine Rd.
North York, Ont.
M3J 1L2 (416) 661-6865

September, 1986

Dear Tenant:

I need your help. Three years ago I began to do housing research for a tenants' organization in Scarborough, Ontario, and I am now studying Canadian housing policy at York University.

As part of my research, I am travelling across the country - from Vancouver to St. John's - to survey tenants and to get a better understanding of housing conditions in all parts of Canada My studies have been made possible in part by a scholarship from CMHC.

I hope that this research will add to the understanding and awareness of housing conditions in across the country, and that it may lead to some changes in housing policy.

Please take just 15 minutes to fill in the attached questionnaire. I will return to pick it up within the hour. There is no need to add your name or apartment number, and all answers will be kept completely confidential. Any additional comments will be very welcome.

In case you have any future questions or concerns, you can contact me at my address after the middle of October, 1986.

Sincerest thanks for your help and cooperation,

Doris Schwar

PLEASE NOTE: THIS QUESTIONNAIRE IS COMPLETELY CONFIDENTIAL. THERE IS NO NEED TO INCLUDE YOUR NAME OR YOUR APARTMENT NUMBER.

Street

____

1. How long have you lived in this building?
   _____years _____months

2. How many people live in this unit?
   _____adults _____children

3. How many bedrooms are there? _____

4. People choose their apartments for different reasons. Please check the reasons why you came to live here:

	very important	important	not important
a. rent			
b. maintenance			
c. schools/daycare			
d. near friends/relatives			
e. near shopping/recreation			
f. near job/business			
g. public transportation			
h. other (specify)			

5. Which of the following best expresses your present feeling about your apartment? I am...
   _____ a. very satisfied
   _____ b. satisfied
   _____ c. not satisfied
   _____ d. not at all satisfied

6. Problems can arise in all buildings. Please rate how you consider each to be to be in your building.

	no problem	minor problem	great problem
a. rent increases			
b. noise			
c. security			
d. landlord/superintendent			
e. maintenance/repairs			
f. other (specify)			

7. Please rate each of the following for how well you think they are maintained and/or repaired:

	good	fair	poor
Building Maintenance:			
a. outside/parking lot lighting			
b. snow removal			
c. locker			
d. laundry room/washers/dryers			
e. elevators			
f. stairwells/hallways/lobby			
g. garbage room			
h. landscaping/driveway/walkway			
i. playground			
j. outside paint/walls/roofs			
Unit Maintenance:			
k. stove/fridge			
l. plumbing			
m. kitchen cupboards/counter			
n. bathroom tiles/fixtures			
o. walls/ceilings			
p. floors/carpeting			
q. closets/closet doors			
r. windows/doors			
s. light fixtures/outlets			
t. heat			
u. hot water			

8. If you have ever requested repairs, were these done...
   _____ a. promptly
   _____ b. soon after request
   _____ c. eventually
   _____ d. not at all
   _____ e. never requested repairs

9. Which of the following best describes where you live?
   _____ a. This is my home.
   _____ b. This is my apartment.
   _____ c. This is the best I can afford.
   _____ d. I am planning to move.
   _____ e. I am planning buy a house.

10. Is there a tenants' association in this building?
   _____ a.yes   _____ b.no
   Would you join, if there were a tenants' association?
   _____ a.yes   _____ b.no

11. If you have ever belonged to a tenants' association, how active were (are) you?

_____ a. very involved
_____ b. sometimes involved
_____ c. paid membership
_____ e. not interested

12. Do you think that tenants' associations are...

_____ a. always useful
_____ b. often useful
_____ c. sometimes useful
_____ d. rarely useful
_____ e. useless

13. Are you active in any other community organization?

_____ a.yes _____ b.no

14. Have you ever contacted a public official about a problem?

_____ a.yes _____ b.no

15. Do you feel that you can make a difference by participating in any public or community issue?

_____ a. usually
_____ b. sometimes
_____ c. not sure
_____ e. never

16. What level of education do you have?

_____ a. public school
_____ b. some high school
_____ c. finished high school
_____ d. some college/university
_____ e. college/university graduate
_____ f. post graduate

17. To which of the following age groups do you belong?

_____ a. under 25
_____ b. 25-39
_____ c. 40-55
_____ d. over 55

18. About how much is your monthly rent?

$_____

19. About how much was your total family income before taxes in 1985?

______ a. under $5,000
______ b. $5,000-10,000
______ c. $10,000-15,000
______ d. $15,000-20,000
______ e. $20,000-25,000
______ f. $25,000-30,000
______ g. over $30,000

_____Male _____Female

Additional Comments:

C: RESPONSES

01	RESPONDENT #				
02	LENGTH	0-1	19	14%	
	132	1-2	48	36	
		3-4	23	17	
		5+	43	33	
03	PEOPLE	1A	21	16%	A=Adult
	132	2A	42	32	
		3+A	17	13	
		1A+C	13	10	C=Child(ren)
		2A+C	35	27	
		(2+A)+C	4	3	
04	BEDROOMS	0	4	3%	
	130	1	27	21	
		2	37	28	
		3	57	44	
		4	5	4	
51	EDUCATION	A	12	9%	public school
	128	B	34	27	some H.S.
		C	33	26	finished H.S.
		D	25	20	some coll.
		E	18	14	grad.
		F	6	5	post grad.
52	AGE	A	22	17%	under 25
	130	B	57	44	25-39
		C	22	17	40-55
		D	29	22	over 55
53	INCOME	AB	32	28%	under $10,000
	115	C	27	23	$10-15,000
		D	22	19	$15-20,000
		E	15	13	$20-25,000
		F	10	9	$25-30,000
		G	9	8	over $30,000
54	GENDER	A	55	43%	male
	128	B	73	57	female

REASONS FOR MOVING TO THIS UNIT

05	RENT	A	93	74%	A. very important
	126	B	25	20	B. important
		C	8	6	C. not important
06	MAINT.	A	30	28%	
	109	B	63	58	
		C	16	15	
07	SCHOOLS	A	33	30%	
	109	B	24	22	
		C	52	48	
08	FRIEND	A	24	22%	
	107	B	38	36	
		C	45	42	
09	SHOPPING	A	38	32%	
	117	B	55	47	
		C	24	21	
10	JOB/BUS	A	24	22	
	117	B	53	45	
		C	40	33	
11	TRANSIT	A	36	35%	
	104	B	38	36	
		C	30	29	

12 OTHER: health (senior), downtown, church, quiet and safe neighbourhood, privacy of townhouse, view of sea, sky & children, no. of seniors in area, little choice, trendy area, religious school, Islamic community.

SATISFACTION

14	SATISFY	A	43	32%	very satisfied
	132	B	59	45	satisfied
		C	25	19	not satisfied
		D	6	5	not at all satisfied

PROBLEMS

15	RENT INCR	A	67	52%	no problem
	122	B	37	29	minor problem
		C	24	19	great problem
16	NOISE	A	48	39%	
	107	B	55	45	
		C	19	16	

17	SECURITY	A	43	35%
	123	B	41	33
		C	39	32
18	LANDLRD	A	72	56%
	128	B	30	24
		C	26	20
19	MAINT	A	50	39%
	128	B	36	28
		C	42	33

20 OTHER: not tidy, poor communications, untidy neighbourhood, break-ins, no privacy, pests, insects, badly needs paint (10-12 yrs since last done), bugs

MAINTENANCE AND REPAIRS

21	OUTS.LIGH	A	49	43%	31	STOVE	63	62%
	108	B	44	36		91	26	24
		C	31	21			18	13
22	SNOWREMOV	A	44	41	32	PLUMB	72	61%
	96	B	47	42		109	35	28
		C	23	18			18	11
23	LOCKER	A	15	29%	33	KITCHEN	60	54%
	45	B	22	31		109	44	35
		C	22	40			20	11
24	LAUNDRY	A	36	39%	34	BATH	50	45%
	84	B	44	42		109	47	35
		C	20	19			29	20
25	ELEVAT	A	24	33%	35	WALLS	53	50%
	61	B	36	46		105	44	33
		C	18	21			21	16
26	STAIRS	A	27	38%	36	FLOORS	46	42%
	61	B	28	33		99	41	37
		C	24	29			26	20
27	GARBAGE	A	26	38%	37	CLOSETS	53	47%
	63	B	33	38		106	39	32
		C	18	24			29	21
28	LANDSC	A	37	35%	38	WINDOWS	53	44%
	100	B	45	39		109	43	35
		C	33	26			29	21
29	PLAYGR	A	22	34%	39	LIGHTS	58	51%
	64	B	25	33		108	51	39
		C	31	33			14	10

30	PAINT	A	44	37%
	106	B	44	38
		C	36	25

A good
B fair
C poor

40	HEAT	74	61%
	104	30	25
		16	14
41	HOT WATER	72	62%
	107	37	28
		15	10

42	REPAIRS	A	31	24%	promptly
	112	B	38	28	soon after request
		C	43	31	eventually
		D	8	7	not at all
		E	11	10	never requested repairs

DESCRIPTION OF UNIT

43	DESCR	A	29	22%	This is my home.
	130	B	25	19	This is my apartment.
		C	47	36	This is the best I can afford.
		D	15	12	I am planning to move.
		E	14	11	I am planning to buy a house.

TENANTS'ASSOCIATION

44	TA	A	28	24%	yes
	119	B	91	76	no
45	JOIN	A	68	59%	yes
	116	B	48	41	no
46	ACTIVE	A	9	21%	very involved
	43	B	11	26	sometimes
		C	5	12	membership
		D	18	41	not interested
47	USEFUL	A	18	19%	always
	93	B	48	52	often
		C	19	20	sometimes
		D	2	2	rarely
		E	6	6	useless

COMMUNITY ACTIVITY

48	ACTIVE	A	33	27%	yes
	123	B	90	73	no
49	OFFICIAL	A	36	29%	yes
	124	B	88	71	no
50	PARTIC	A	18	15%	usually
	120	B	56	47	sometimes
		C	38	31	not sure
		D	8	7	never

D: EXTERNAL SURVEY CRITERIA

Address & Surrounding Area

City:______________________________

Street:______________________________

No. of Units:______________________________

Date of Construction:______________________________

Rent Control: _____yes _____no

Neighbourhood: _____good _____fair _____poor

_____industrial _____commercial _____residential

other features______________________________

Signs of Growth/Renewal______________________________

Services:

Shopping______________________________

Transit______________________________

Schools______________________________

Recreation______________________________

Hospital/Health Services______________________________

Other______________________________

Building Maintenance:

	good	fair	poor
a. outside/parking lot lighting			
b. landscaping			
c. driveway/walkway			
d. playground			
e. exterior paint/walls			
f. balconies			
e. doors/windows			

Comments:______________________________

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